



# 2021 Capital Markets Day

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March 24, 2021

**Alcon**

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## 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 Alcon makes regarding its liquidity, revenue, gross margin, effective tax rate, foreign currency exchange movements, earnings per share, its plans and decisions relating to various capital expenditures, capital allocation priorities and other discretionary items, market growth assumptions, and generally, its expectations concerning its future performance and the effects of the COVID-19 pandemic on its businesses.

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This presentation also includes information about products that have neither been submitted nor received FDA approval. Not all products approved or available in all markets.

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## 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.

# Presenters



**David Endicott**  
*Chief Executive Officer*



**Tim Stonesifer**  
*Chief Financial Officer*



**Jeannette Bankes**  
*President, Surgical*



**Andy Pawson**  
*President, Vision Care*



**Michael Onuscheck**  
*President, Global  
Business & Innovation*



**Karen King**  
*Head of Corp. Affairs and  
Investor Relations*



**Christina Cheng**  
*Head of Investor Relations*



# Agenda

CET	CT	TOPIC	SPEAKER
14:00	08:00	Introduction	Karen King Christina Cheng <i>Investor Relations</i>
		Driving Growth in Eye Care	David Endicott <i>Chief Executive Officer</i>
		Unlocking Shareholder Returns	Tim Stonesifer <i>Chief Financial Officer</i>
		Q&A	
15:05	09:05	Break	
15:10	09:10	Strengthening Leadership in Surgical	Jeannette Bankes <i>President, Surgical</i>
		Accelerating Growth in Vision Care	Andy Pawson <i>President, Vision Care</i>
		Transforming Eye Care	Michael Onuscheck <i>President, Global Business &amp; Innovation</i>
		Q&A	
17:00	11:00	Conclusion	David Endicott <i>Chief Executive Officer</i>



**Alcon**

**DRIVING GROWTH IN EYE CARE**

DAVID ENDICOTT, CEO

# Top Five Reasons to Invest in Alcon

1. Highly attractive markets
2. Global leader in eye care
3. Delivering on strategic initiatives
4. Innovating products that improve outcomes
5. Creating shareholder value

1.

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**Operating  
in Attractive  
Markets**

**Alcon**

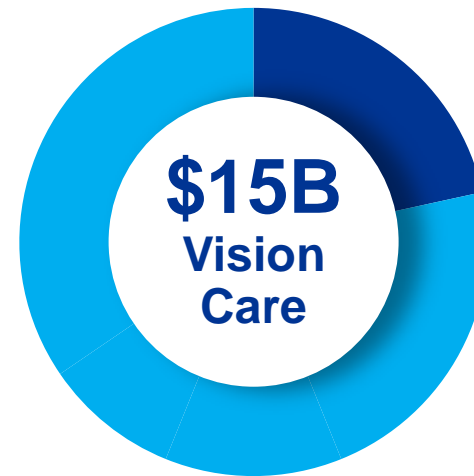
# End markets growing 4% historically<sup>1</sup>

2015-2019



**#1**

in Implantables,  
Consumables,  
Equipment/Other,  
Ocular Health



**#2**

in Contact  
Lenses

# Favorable megatrends underpinning solid markets



## Aging population

By 2050, more than 2 billion people will be over age 60<sup>1</sup>



## Increasing wealth

The middle class will grow by ~1.7 billion people in 10-15 years<sup>2</sup>



## Increasing myopia

An estimated 50% of the world will be myopic by 2050<sup>3</sup>



## New technologies

Improving patient outcomes and increasing access



## Increasing sense of wellness

People are more determined to stay fit and healthy

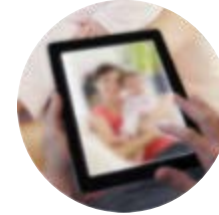
# Creating solutions for significant unmet needs

**2.2  
billion**

people with some form  
of visual impairment  
or blindness<sup>1</sup>



**65 million**  
with moderate to severe  
vision impairment  
from **cataracts**<sup>1</sup>



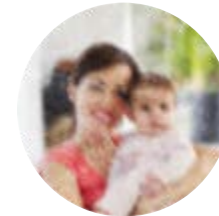
**1.8 billion**  
have **presbyopia**<sup>1</sup>



**146 million**  
have **diabetic  
retinopathy**<sup>1</sup>



**153 million**  
with uncorrected  
**refractive errors**<sup>1</sup>



**1.4 billion**  
live with **dry eye**<sup>2</sup>



**76 million**  
live with  
**glaucoma**<sup>1</sup>

# Creating solutions for significant unmet needs



**~37%**  
of US population  
with presbyopia<sup>1</sup>



**146  
million**  
individuals with  
diabetic  
retinopathy<sup>2</sup>

2.

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**Global Leader  
in Eye Care**

**Alcon**

# Market leader focused solely on eye health

One of the  
most complete  
brand portfolios



Leading expertise in eye care  
& strong innovation engine



History of  
industry firsts



Long-standing partnerships  
with customers




Increasing access  
to eye care



# Brand Portfolio

## Surgical


Implantables



Cataract Suite



Consumables



Refractive Suite



Vitreoretinal



## Vision Care

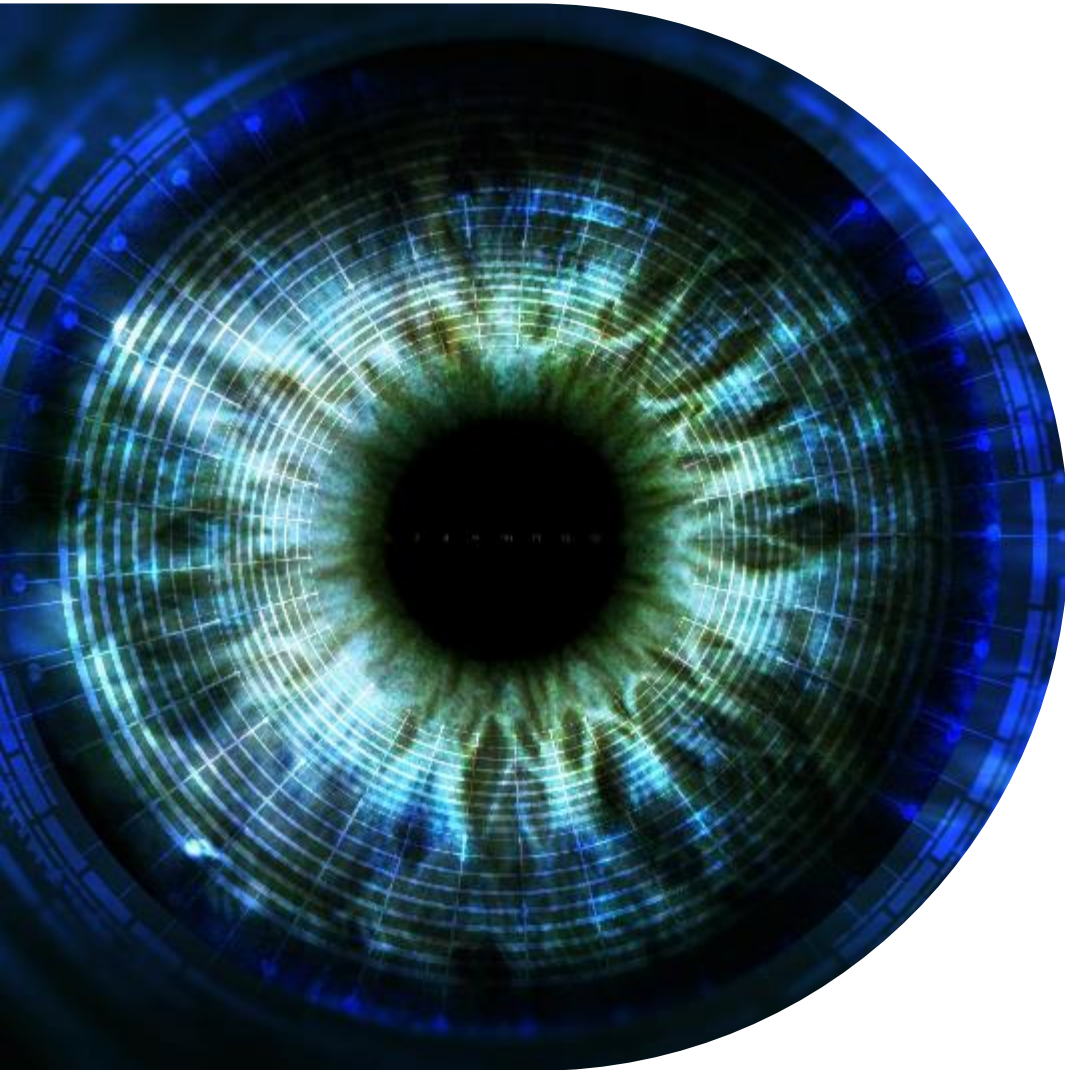
Contact Lenses



Ocular Health



# Driving industry-leading expertise in eye care



## CATARACT

Diagnostic, visualization, microscope, phaco-emulsification, laser guided capsulotomy, optical lens design and manufacturing, ophthalmic pharma solutions, consumable manufacturing and distribution, digital systems

## RETINA

Diagnostic, visualization, vitrectomy, instrumentation, consumable manufacturing and distribution

## REFRACTIVE

Diagnostic, visualization, femtosecond and excimer laser technology, instrumentation, digital systems

## CONTACT LENS

Optical design, material and surface chemistry, contact lens manufacturing

## OCULAR HEALTH AND DRY EYE

Artificial tears, tear film optimization, drug delivery solutions, manufacturing and distribution

# Delivering first-to-market innovations for 75 years



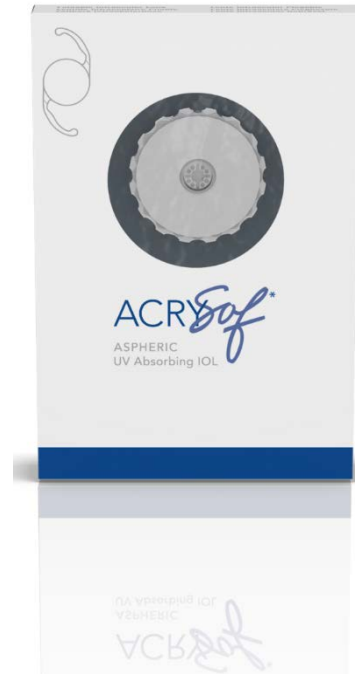
## Ocular Health

**1950**

Alcon's first two ophthalmic products for minor eye infections and red, itchy eyes

**1953**

Founder Robert Alexander created the DROPTAINER eye drop dispensing bottle, the standard in eye care



## Intraocular lens (IOL)

**2005**

First material designed as an IOL (*AcrySof*), with 125M implants in the last 30 years



## Vit-ret surgery

**2008**

Launched *CONSTELLATION* Vision System, the leader in vit-ret surgical equipment



## Daily silicone hydrogel lens

**2011**

Launched the world's first and only water gradient daily contact lens



## Developing new products with a customer-centric approach

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**75 years**

serving the eye care industry

**70 training centers**

with state-of-the-art facilities

**18,000 doctors**

attended Alcon's educational programs in 2020

# Building medical capacity in underdeveloped markets

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**5.5 million**

patients served by doctors trained under the Phaco Development Program; now replicating in vit-ret

**4,000+ doctors**

in Russia, China, India, Vietnam, Bangladesh, Indonesia, and Nepal trained in the Phaco Development Program

**500+ medical missions**

in 69 countries serving 38,000 patients in 2019



3.

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**Delivering  
on Strategic  
Initiatives**

**Alcon**



**Alcon**

**STANDING UP OF ALCON IS COMPLETE**

# On track with strategic priorities



## Separation primarily complete

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- Enterprise-wide systems enabling speed and agility: Workday, Veeva Vault and SAP
- IT site migration complete, significantly de-risked
- Manufacturing facilities transitioned
- TSAs primarily complete



## Transforming Alcon

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- Four shared service centers in low-cost countries
- Franchise-centered model
- Streamlined international structure
- Accelerating innovation
- New stage-gate process aligns R&D, manufacturing and commercial teams



## Expanding capabilities

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- State-of-the-art proprietary manufacturing technology successfully installed and quality certified at three regional sites; capacity ramp up ongoing
- Advanced inventory build for new product launches during 2020 downturn

# Foundation for a stronger culture in place

## Speed

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US OTC switch of *Pataday*, leading ocular allergy eye drop, just 17 days post-FDA approval

Concurrent launches of *PRECISION1* sphere and toric in Europe



## Simplicity

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Consolidation of 500+ brand websites in six months

Ongoing rollout of *MyAlcon* to every international market



## Accountability

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Aligned incentive compensation with critical key performance indicators for Alcon's long-term success, including specific innovation milestones



## Ownership

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Celebrating brilliant contributions to Alcon innovation

New Ways of Working workshops to help clarify decision rights for business functions



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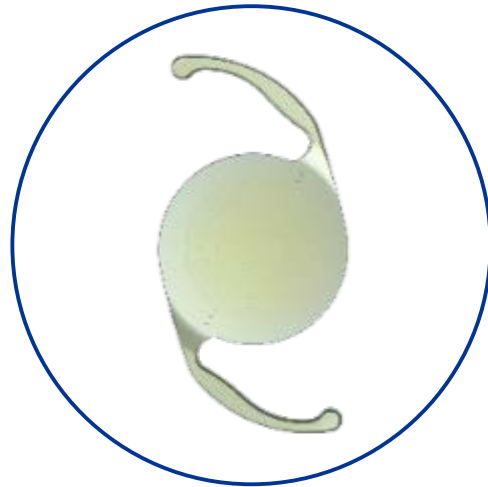
**Innovating  
to Improve  
Outcomes**

**Alcon**

# Accelerating innovation near-term



**Silicone hydrogel  
or SiHy  
contact lenses**



**ATIOLs**

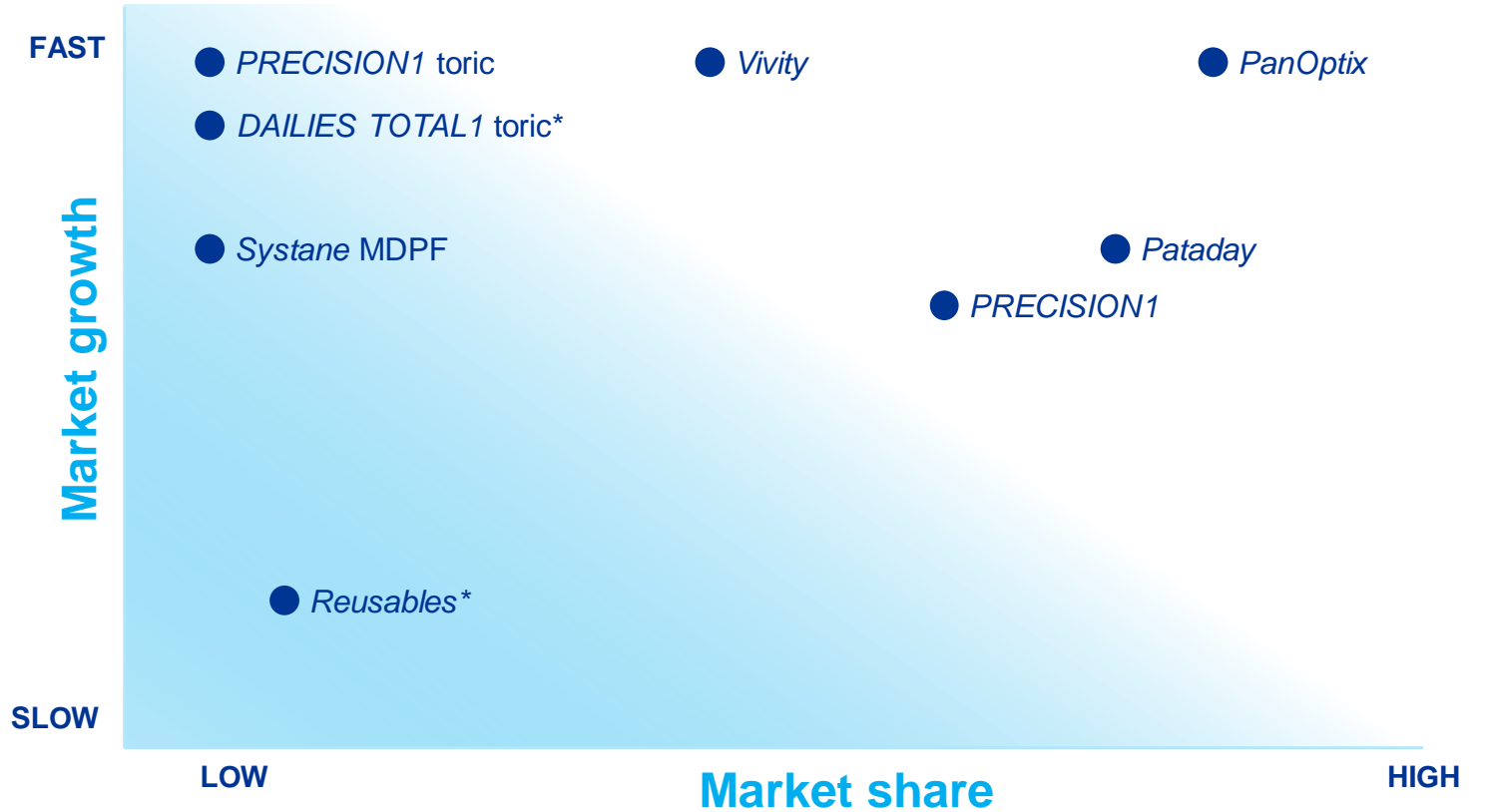


**Eye drops**



**Interconnected  
equipment**

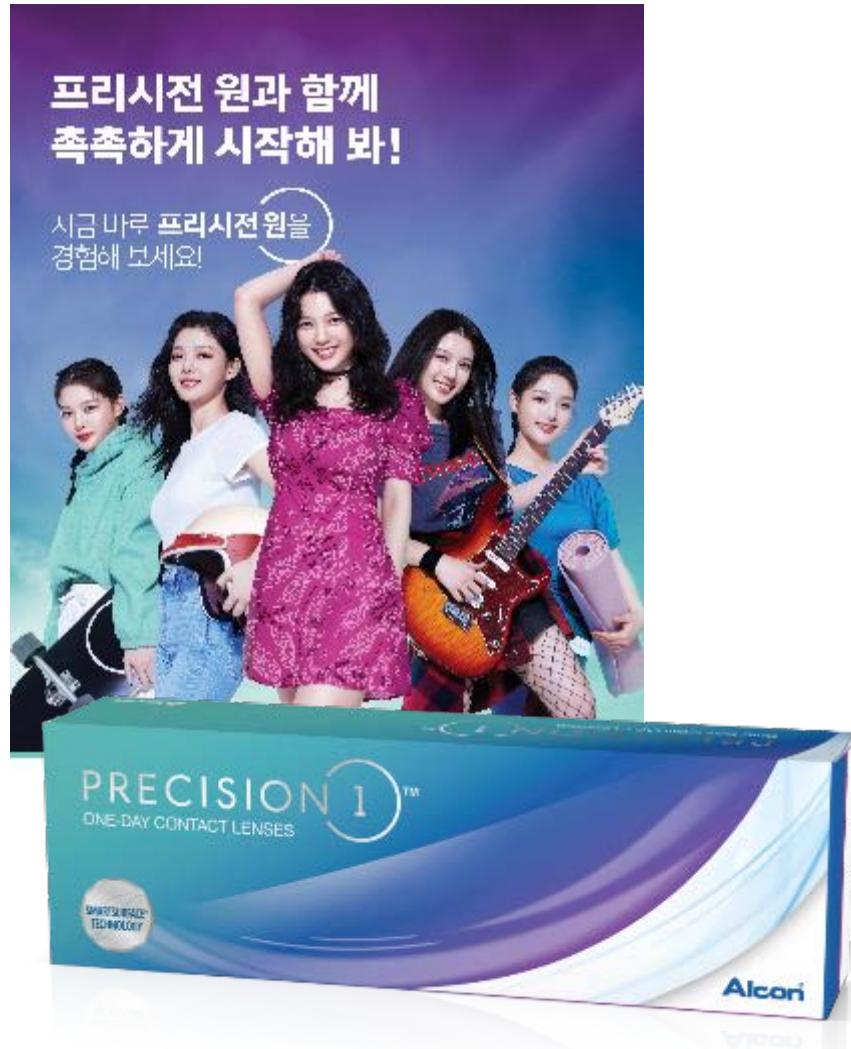
# Gaining share in fast growing markets



Illustrative purposes only.

\* Not currently in market.

# Gaining momentum with *PRECISION1* sphere



First contact lens manufactured on our new contact lens platform

Democratizes silicone hydrogel for more consumers

Improve retention among first-time users dropping out due to poor comfort, end of day acuity or handling issues

# Establishing a presence in SiHy toric with *PRECISION1* for Astigmatism



Settles in less than 60 seconds<sup>1</sup>

Less than 3° of oscillation with each blink<sup>1</sup>

Stabilized 8 and 4 o'clock points help reduce lower lid interaction<sup>1</sup>

# Reigniting the reusable market with *TOTAL30*



Second lens manufactured on our new contact lens platform

Premium-ize reusable SiHy with a unique water gradient surface

Leveraging the outstanding comfort of *DAILIES TOTAL1* for a lens that feels like nothing on Day 1 and Day 30

# Broadening patient options with two unique PCIOLs



**PanOptix:** first trifocal IOL in the US for spectacle independence

**Vivity:** first non-diffractive EDOF in the industry

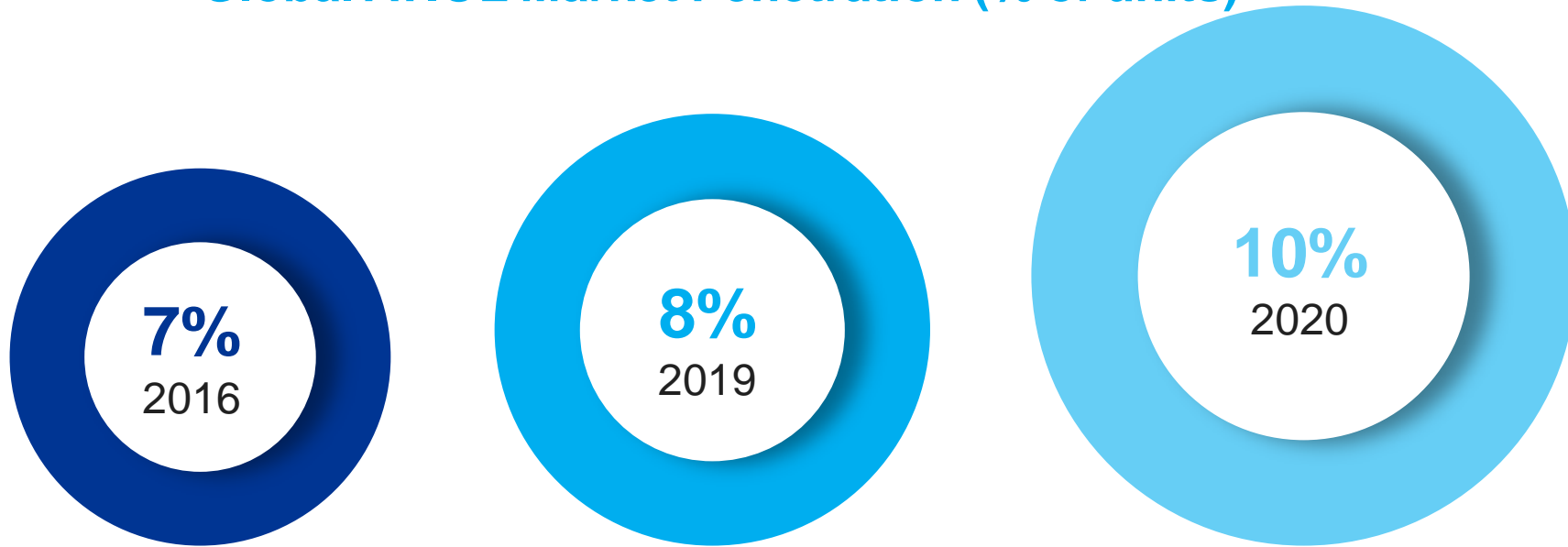
Patented *X-WAVE* technology delivers presbyopia correction with no halos or glare

Incremental innovations in IOL delivery systems

# ATIOL penetration continues to increase

New IOL designs, better IOL placement tools and surgeon experience

Global ATIOL Market Penetration (% of units)



## 4 out of 10

US patients are willing to pay for a better performing IOL<sup>1</sup>

# Increasing access to industry leading Ocular Health solutions

Help uw patiënten met

**LANGDURIGE VERLICHTING VOOR DROGE OGEN**<sup>1-3</sup>

- VRIJ VAN BEWAARMIDDELEN
- SUPERIEURE OCULAIRE RE-EPITHELIALISATIE<sup>4</sup>
- 2 X BETERE VOCHTRETENTIE VS HA ALLEEN<sup>1</sup>

Adviseer Systane® HYDRATION ZONDER BEWAARMIDDELEN

**2 DRUPPELS EN NIETS HOUDT JE NOG TEGEN**

\*\* Your evaluation, costs included on non-prescription products and lower the total amount of use for relevant product. 1. Bergman S, Knight D, Caporale A, Johnson H. Effects of a hyaluronic acid/hydroxypropyl guar artificial tear solution on patients' necessary and desired use of contact lenses. J Ocul Pharmacol Ther. 2005;20(4):305-312. 2. Gault W, Silverman H, Chervenak M, Hsu H. Ocular dryness in patients with dry eye after treatment with a new lubricant eye drop formulation. J Ocul Pharmacol Ther. 2002;16(5):322-328. 3. Johnson H, Knight D, Caporale A. Improving the ocular surface and improving the quality of life of dry eye patients: efficacy of the long-acting eye drop containing water-soluble hyaluronic acid. J Ocul Pharmacol Ther. 2005;20(1):27-32. 4. Caporale A, Tan H, Carlson C. Impact of hyaluronic acid-containing artificial tear products on the epithelialization in an in vitro Corneal Wound Model. Poster presented at 20th International Conference on the Tear Film & Ocular Surface, September 13, 2016, Philadelphia, Pennsylvania. © 2017 Alcon Inc. 0001-3147/2017/00000000-00000

www.systane.be

Alcon



Grow the *Systane* brand with formulations to address different forms of dry eye

Expand into important preservative-free category

Broaden access to the leading Rx ocular allergy solution with the OTC switches of *Pataday* family

# Expanding into the \$400M diagnostics and visualization market



**LuxOR with ORA technology:** perform pre-operative diagnostics and digital guidance

**NGENUITY:** 3D visualization for heads-up surgery on complex cases

**ARGOS:** advanced biometry for easier IOL planning and greater precision in cataract surgery

# Robust innovation engine pushing the boundaries of eye care today



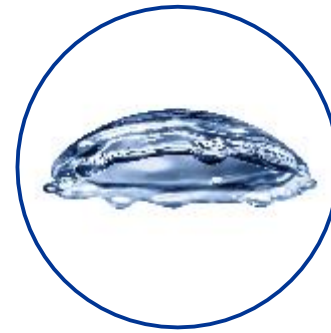
**Disruptive  
ATIOLs**



**Digital Health  
Solutions**



**Next generation  
contact  
lens design**



**Presbyopia  
solutions**



**Novel delivery  
beyond the drop**

5.

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# Unlocking Shareholder Value

**Alcon**



# Unlocking shareholder returns

**SALES**

**~\$10B**

by 2025<sup>1</sup>

**CORE OPERATING MARGIN**

**approaching mid-20s**

by 2025<sup>2</sup> (%)

1. 5-year outlook is subject to various risks and uncertainties. See Legal Disclaimers on page 2 and the assumptions underlying our outlook on page 41 for more information.  
2. For additional information regarding the core results discussed above, which are non-IFRS measures, see Appendix starting on page 88.

# Key Takeaways

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Alcon maintaining leadership in an attractive market



Accelerating innovation that improves patient and customer outcomes



Progress on strategic priorities, supporting long-term financial goals



Roadmap for \$10B sales by 2025, with optionality from market adjacencies



**Alcon**

## UNLOCKING SHAREHOLDER RETURNS

TIM STONESIFER, CFO

# Framework for strong shareholder returns



Strong product pipeline driving share gains

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Focused and nimble business model ...  
resilient

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Margin expansion through operating  
leverage

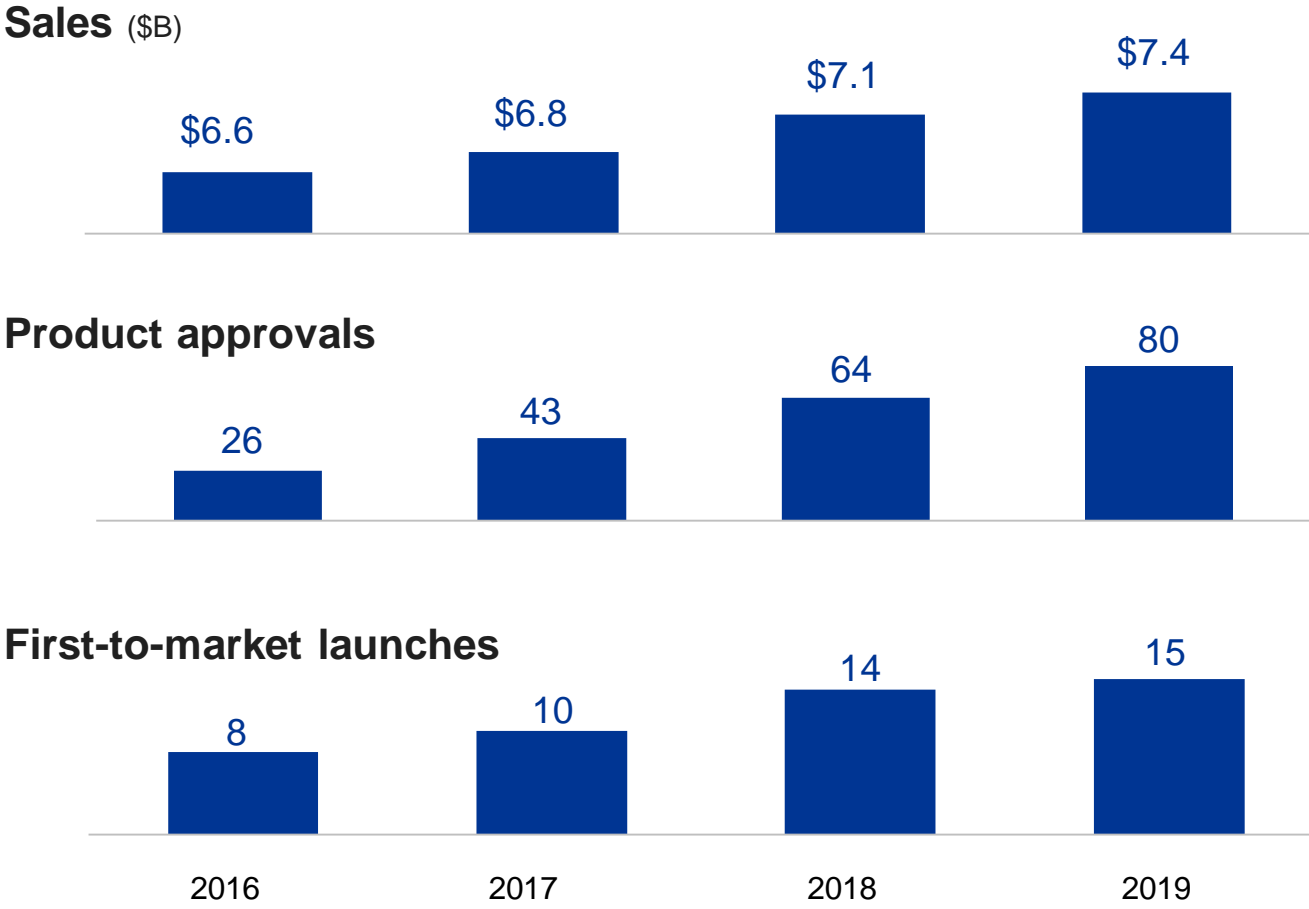
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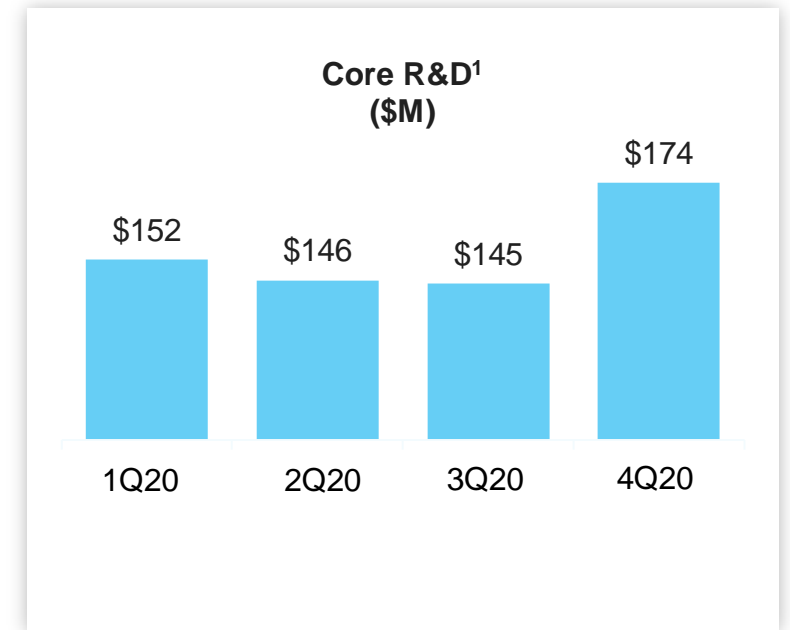
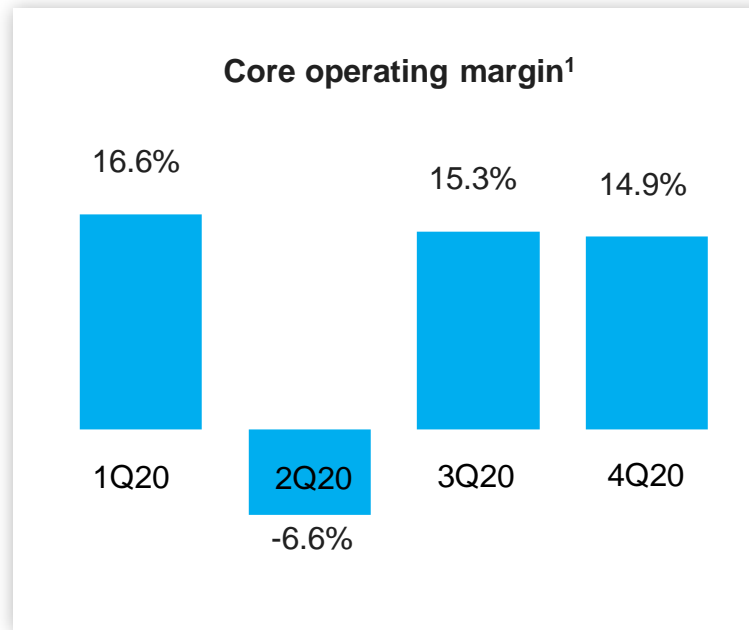
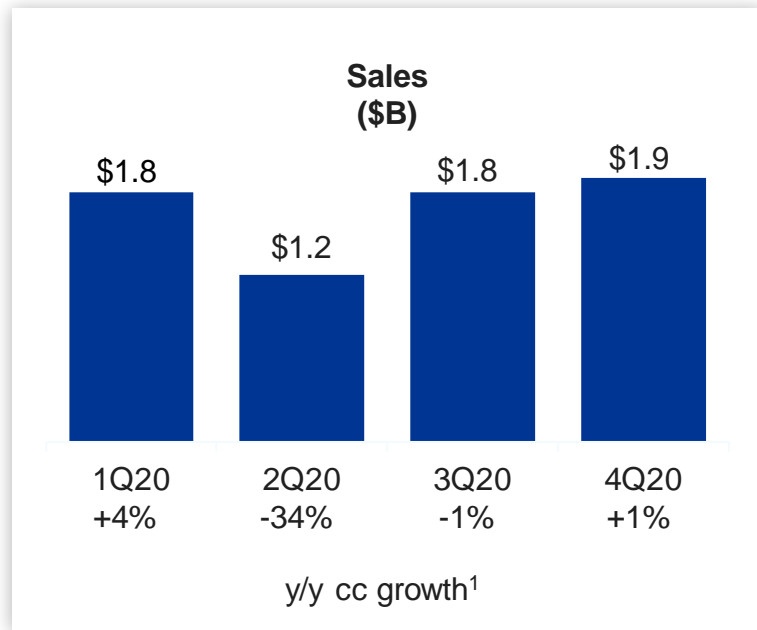
Significant free cash flow ... and solid  
balance sheet



# Growing sales aligned with accelerating product pipeline



# Business resilience evidenced by rapid 2H 2020 rebound



New launches driving 2H recovery  
*PanOptix, PRECISION1, Pataday*

Strategic initiatives on track ... separation, transformation, contact lens manufacturing expansion

Disciplined expense management while continuing R&D investment

Strengthened balance sheet with successful capital raise

# 2019-2025 outlook assumptions

## Outlook assumes:

- Markets return to historical levels by 2H 2021 and onward
- New product launches drive better than market growth
- Efficiencies from optimization of new lens manufacturing platform realized mid-plan
- Reinvesting savings from transformation into R&D and new product launches
- Core R&D spend of 7-9% of sales to maintain robust pipeline
- Core tax rate of approximately 20%
- No significant impact from foreign currency
- Capex returns to mid-single digits (as % of sales) in the latter years of the plan

## Outlook does not assume:

- New M&A and business development opportunities
- Entry into new white spaces



# Strong long-term financial goals post-COVID

## SALES

**~\$10B**

by 2025<sup>1</sup> (mid-single digit CAGR 2019-2025)

## CORE OPERATING MARGIN<sup>2</sup>

**approaching mid-20s**

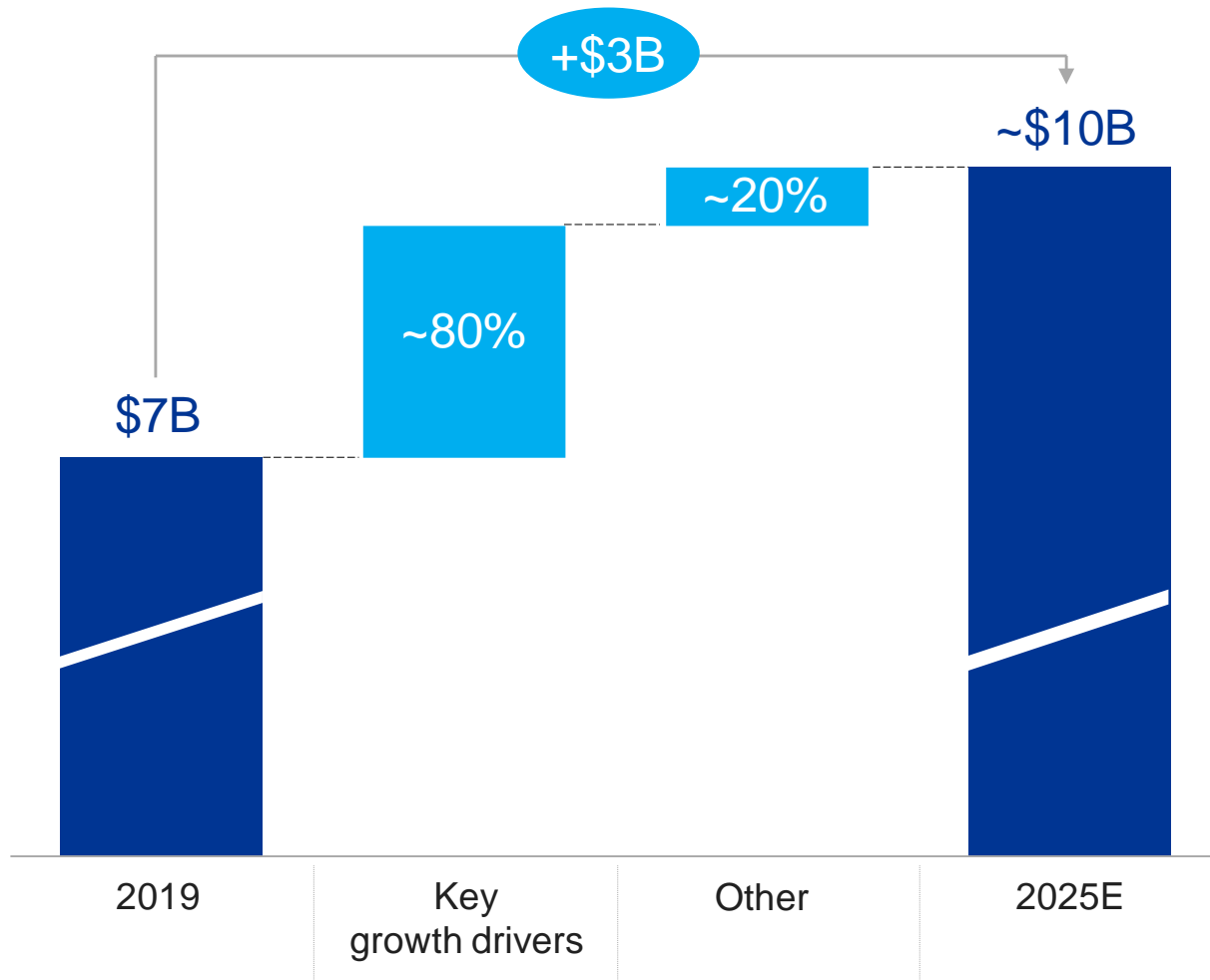
by 2025<sup>1</sup> (%)

## FREE CASH FLOW<sup>2</sup>

**~\$1.8-\$2.0B**

by 2025<sup>1</sup>

# Key categories expected to drive sales growth



## Key growth drivers

SiHy contact lenses

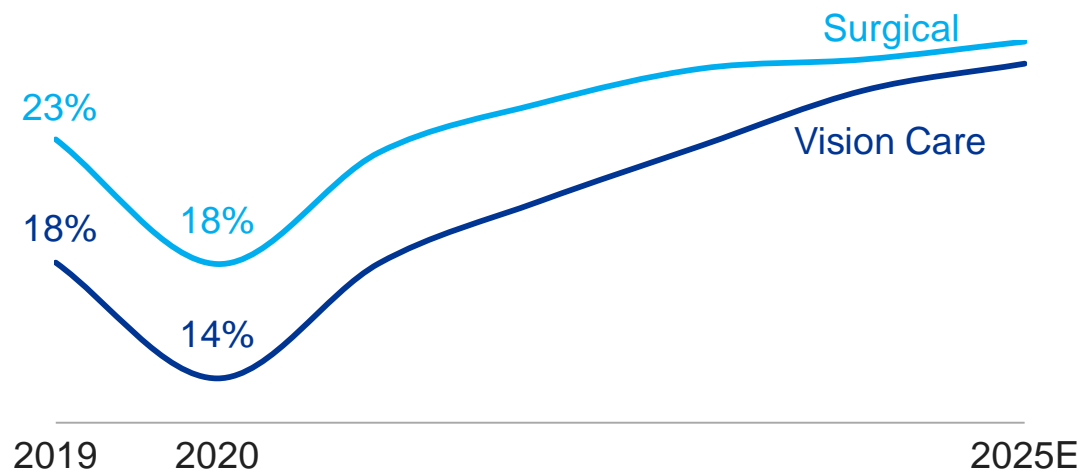
Dry eye & allergy

Advanced technology IOLs

Digital Health Solutions

# Segment margins expected to converge by 2025

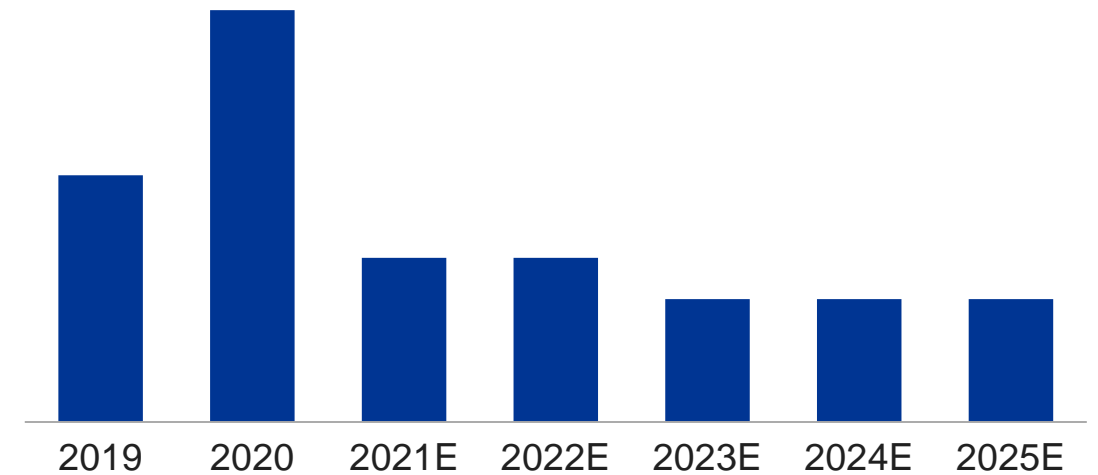
## Segment contribution margins<sup>1</sup> (% of sales)



ILLUSTRATIVE

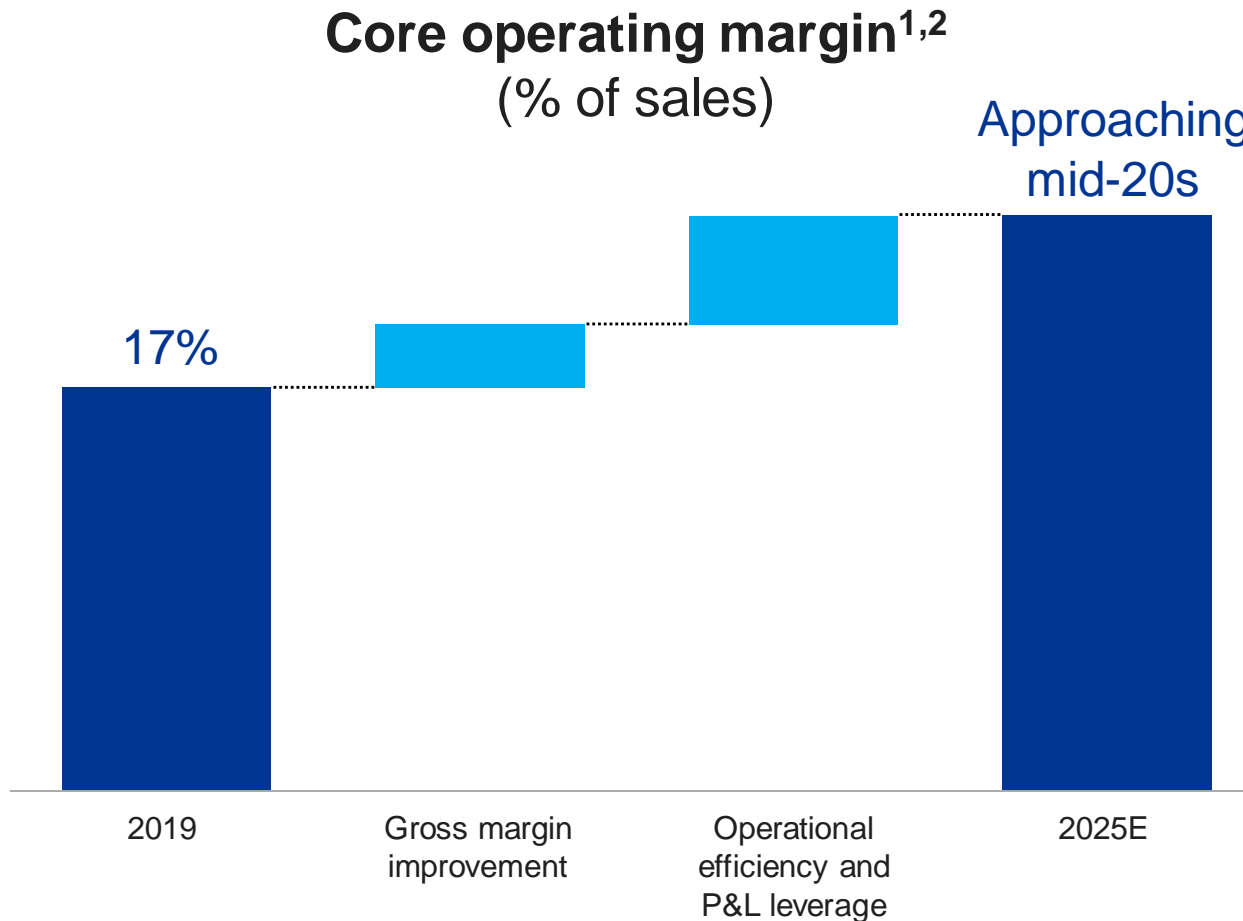
- Vision Care margin expansion from improved optimization on new contact lens manufacturing lines
- Surgical expansion driven by favorable ATIOL mix
- Segment contribution **does not** include G&A expenses for Corporate activities and other items

## New contact lens manufacturing lines



- Vision Care current margins suppressed during line installation and start-up
- Average line takes ~24 months to fully optimize production and process

# Margin expansion driven primarily by operating leverage



## Drivers

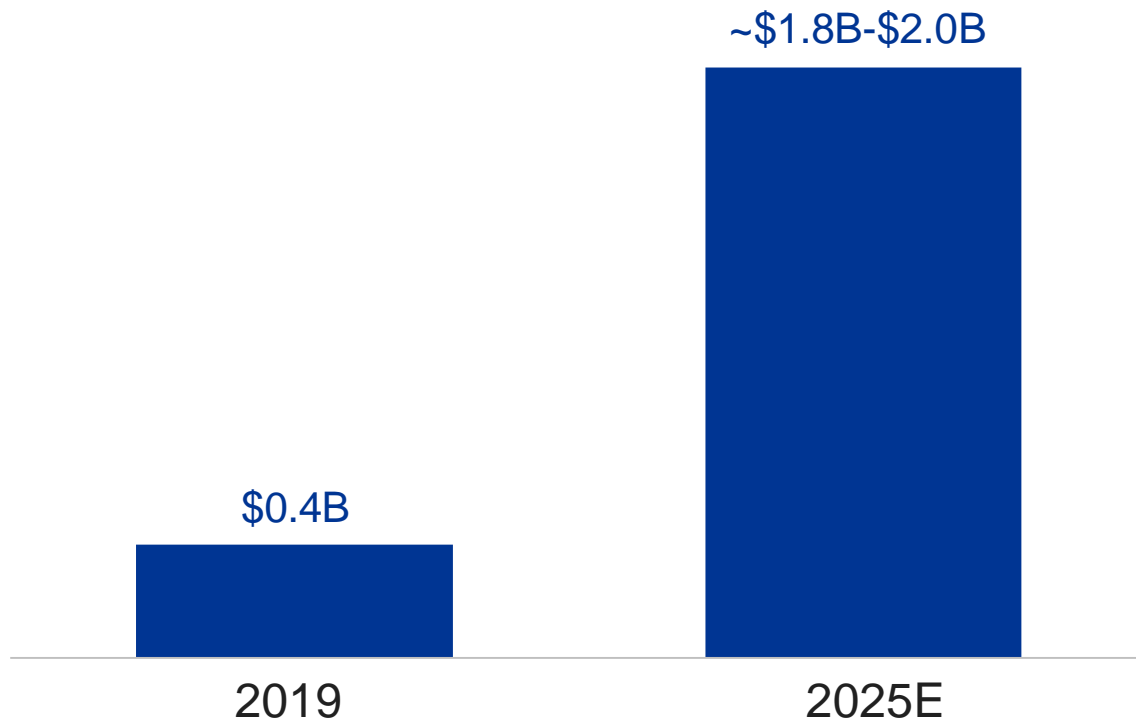
Sales acceleration from new innovation and pipeline launches

Favorable product mix

Manufacturing efficiencies from optimization of new contact lens platform

# Generating significant free cash flow

## Free cash flow<sup>1,2</sup>



## Drivers

Accelerating sales growth

Expanding margins

Stabilizing capital and IT investments

Completing transformation and separation

# Capital allocation priorities remain consistent

## Invest in organic growth

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- R&D investments in developing next-gen IOLs, surgical suite, contact lens and ocular health
- Marketing key product launches across geographies
- Continued investment into capacity expansion

## Invest in BD&L and M&A

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- Agnostic to the source of innovation
- Bolt-on acquisitions and adjacencies
- White space opportunities:
  - New device categories
  - Eye drop delivery devices
  - Ophthalmic pharma

## Return to shareholders

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- Expect to initiate new dividend in 2021<sup>1</sup>
- Payout policy of 10% of core net income<sup>1</sup>

**Maintain investment grade credit rating**

# Framework for strong shareholder returns



Strong product pipeline driving share gains

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Focused and nimble business model ...  
resilient

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Margin expansion through operating  
leverage

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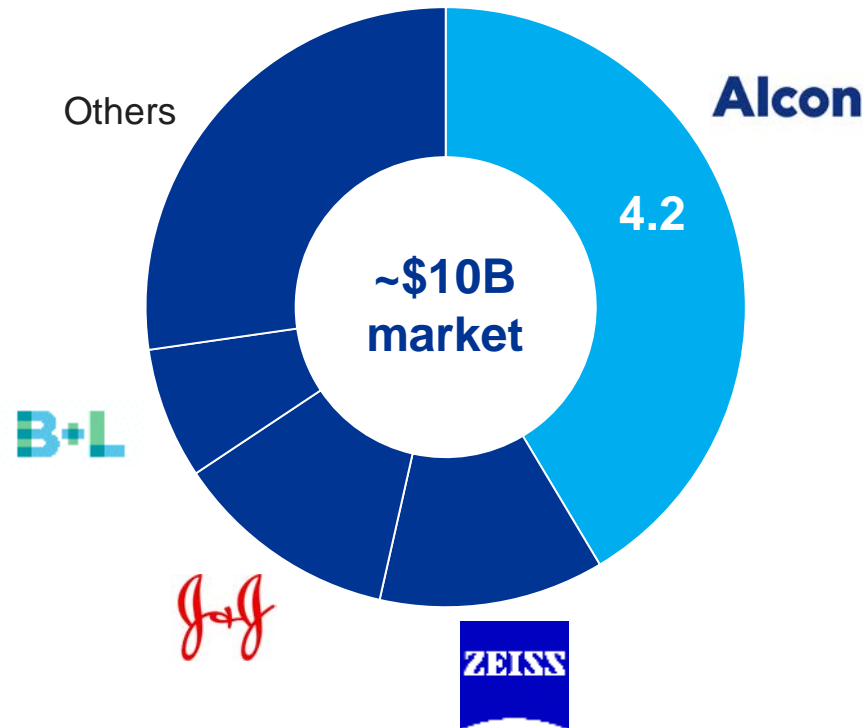
Significant free cash flow ... and solid  
balance sheet



**STRENGTHENING SURGICAL LEADERSHIP**  
JEANNETTE BANKES, PRESIDENT SURGICAL

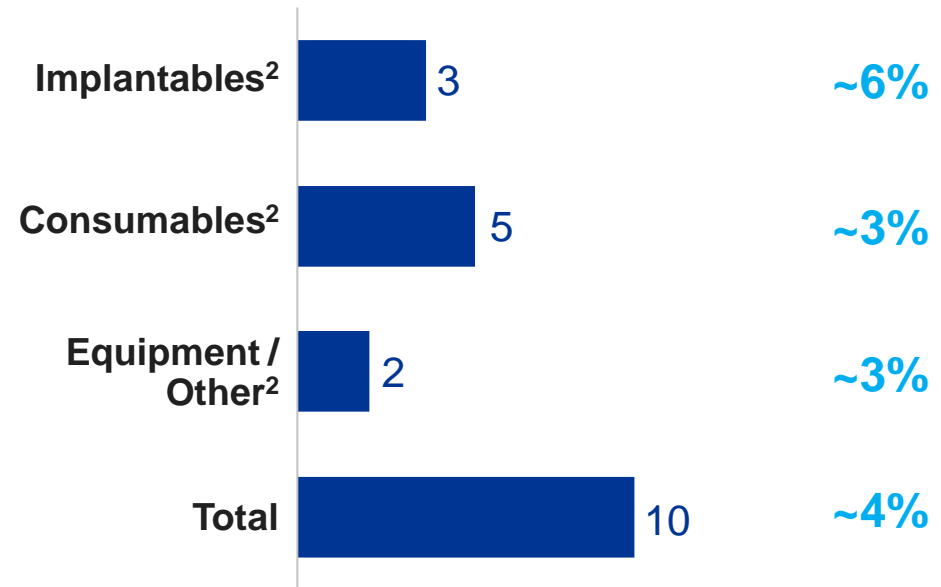
# Leading position in the global surgical market

2019 global surgical sales<sup>1</sup> (\$B)



2019 industry sales<sup>1</sup> (\$B)

2019-2025E industry CAGR<sup>1</sup>



1. Market Scope; Alcon internal estimates; Company press release; see Legal Disclaimers for more information about future industry growth projections.

2. Implantables include IOLs, surgical glaucoma devices; Consumables include cataract, vitreoretinal, and refractive disposable instruments; Equipment includes cataract and vitreoretinal consoles and accessories, FLACS laser, refractive lasers, equipment service & maintenance, microscopes, diagnostics, and drops for mydriatics, cycloplegics, diagnostics and anesthetics.

3. All trademarks are property of the respective owner.

# Delivering on our 2018 commitments:

## What we said we would do

- Drive ATIOL share and address barriers to adoption with new technologies

- Deepen vitreoretinal penetration in key markets and accelerate conversion to digital surgery

## What we did

- Grew to >50% global ATIOL share (>70% in US)
- Increased global ATIOL market penetration by ~2.5pp since 2017
- Launched *AcrySof Vivity* non-diffractive EDOF IOL in 20 countries

- Grew sales 5% globally
- Expanded retina sales force and launched retinal development (RD) training program
- Launched 2 new vit-ret probes and instruments
- Acquired *TrueVision* and launched *NGENUITY* in >45 countries globally

## What's next

- Continue global launches of *AcrySof PanOptix* and *Vivity*
- Bring best optics on best material platform with *Clareon PanOptix* and *Clareon Vivity*

- Continue this playbook, investing in vit-ret and helping to expand emerging markets
- Integrate equipment ecosystem for both cat and vit-ret procedures
- Lead the market conversion to digital surgery

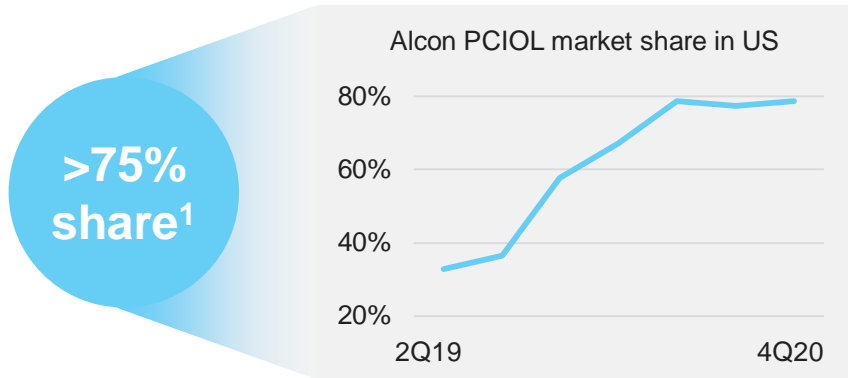
# What's next: driving global share in PCIOL market

**>50% share**

Global PCIOL share leadership

**~\$100M**

Alcon sales for every +100 bps in global PCIOL penetration



**AcrySof IQ PanOptix Trifocal IOL**

**20/20** near, intermediate and distance vision

**99%** patient satisfaction<sup>2</sup>

**150 bps** US PCIOL penetration growth 2019-2020

**AcrySof IQ Vivity Extended Depth of Vision IOL**

**Non-diffractive** optic delivers minimal visual disturbance

**20/20** distance, **>20/25** intermediate and **20/32** near vision

**Q1 2021** US launch

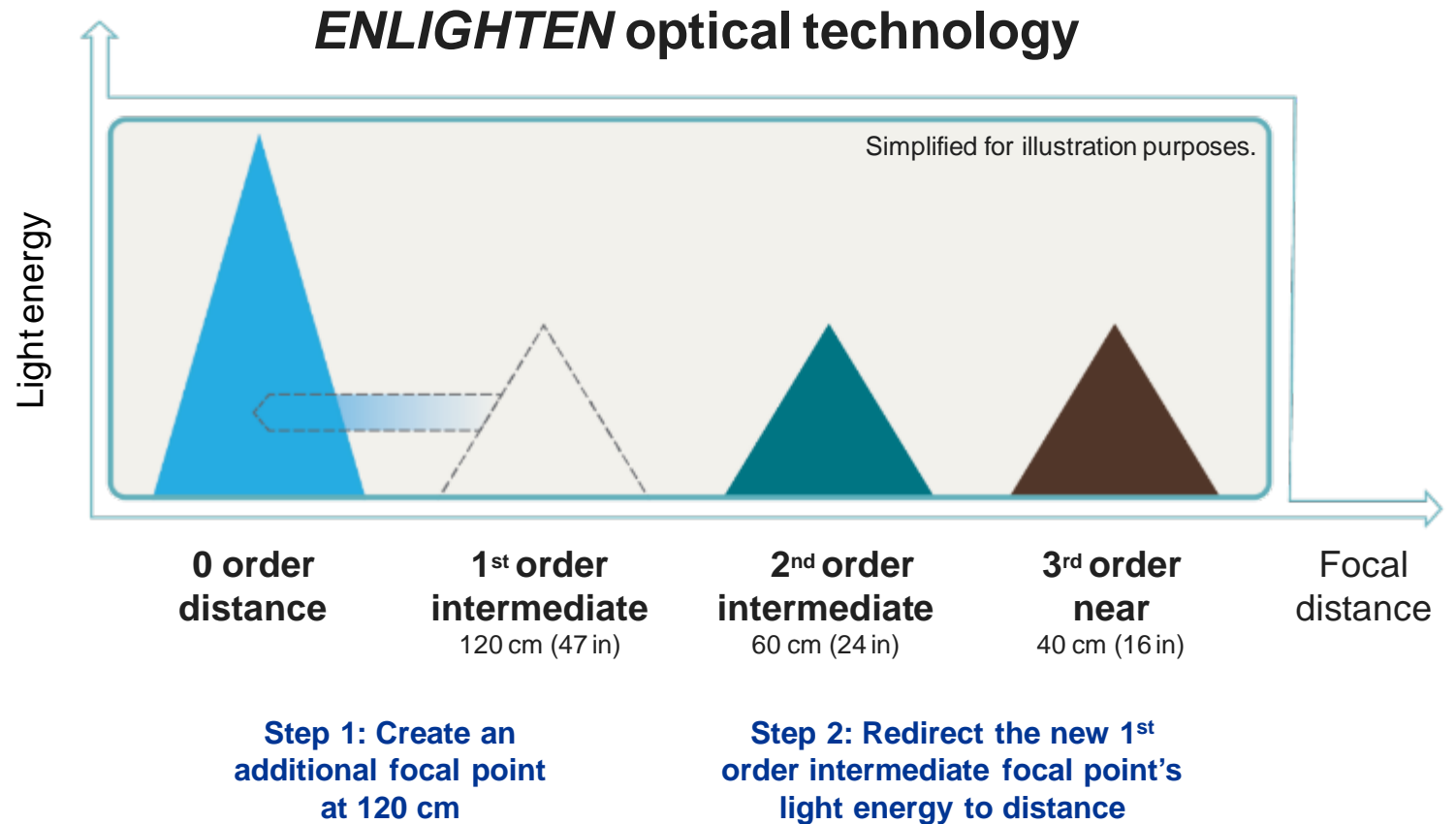
# What's next: gaining share with *PanOptix*, a unique trifocal IOL with patented *ENLIGHTEN* technology

## *ENLIGHTEN* optical technology

Proprietary design optimizes intermediate focal point (60 cm) – most common middle-vision sight distance

Without compromising exceptional near (40 cm) and distance vision<sup>1</sup>

Compared to 80cm intermediate vision offered by our competitors



# What's next: expanding our PCIOL portfolio with *Vivity*, the first and only extended depth of focus IOL

## X-WAVE Technology

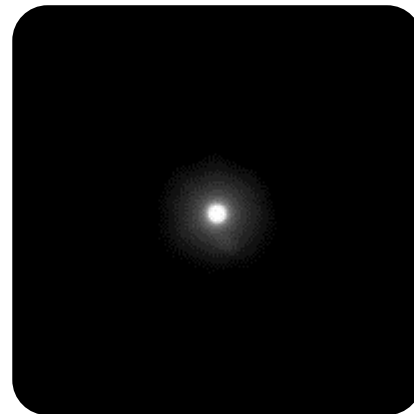
Proprietary design stretches and shifts light without splitting it to deliver visual acuity across the visual range

Halo profile comparable to *AcrySof IQ* Monofocal IOL and superior to competitor diffractive EDOF IOLs on the market<sup>1</sup>

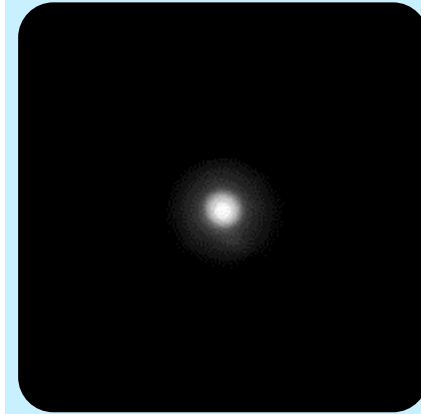
Opens the door to cataract patients who may not have been a candidate for a diffractive lens

## Visual disturbance profile

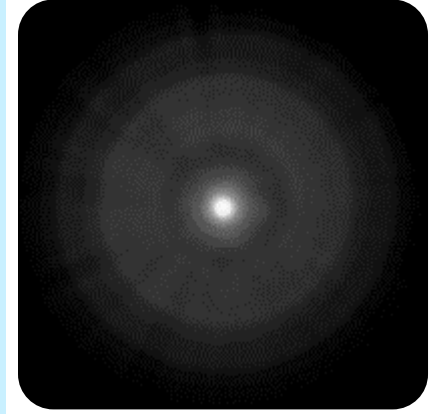
Optical bench halo measurements: 4.5mm pupil size<sup>1</sup>



*AcrySof IQ*  
Monofocal IOL



*AcrySof IQ Vivity IOL*  
X-WAVE Technology



*TECNIS Symphony²*  
Diffractive EDOF

# What's next: investing in an ecosystem of the future

## Diagnostics and visualization deliver interconnectivity in office and in OR

### NGENUITY

Intra-operative visualization, heads-up 3D display



### LuxOR Revalia

Intra-operative visualization, digital microscope



### Consumables

Cataract, vitreoretinal, refractive surgery



Alcon  
Equipment  
Ecosystem



### ARGOS biometer

In-office pre-operative cataract diagnostics

### Digital Health Solutions: Cataract Planner

Cloud-based platform, improving patient outcomes

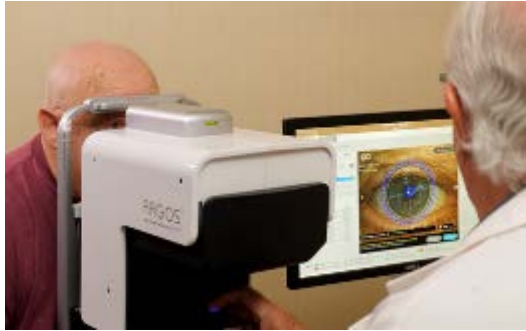


### CENTURION and CONSTELLATION

Cataract and vitreoretinal surgical platforms

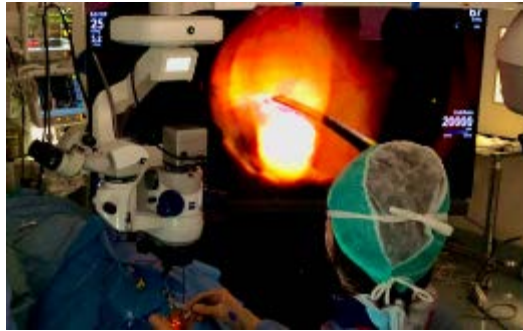


# What's next: improving procedure efficiency and patient outcomes



## ARGOS biometer

- Faster, easier, better pre-operative biometry solution
- Can help practices reduce pre-operative biometric measurement time by 30-40%<sup>1</sup> through reduced measurement time



## NGENUITY

- 3D digital visualization system transforms the surgical experience
- Up to 5x extended depth of field<sup>2</sup>, increased magnification, and depth resolution to help surgeons "See Better, Do Better"



## Digital Health Solutions Cataract Planner

- Cloud-based platform enables equipment connectivity and streamlined data exchange
- Integrates Alcon's equipment ecosystem across our pre-operative and intra-operative footprint

# What's next: focusing on fast-growing and underpenetrated markets

**+50  
bps**

international  
ATIOL  
penetration  
(2018-2019)

**>75**

regulatory  
filings pending  
and planned  
for 2021

**~60K**

videos viewed on  
Alcon Experience  
Academy in 2020<sup>2</sup>

**20**

product  
launches in  
underpenetrated  
markets  
(2018-2020)<sup>3</sup>

**>5M**

procedures in  
underpenetrated  
markets via  
Phaco  
Development  
Programs<sup>1</sup>

# Surgical pipeline: rich product flow fueling growth

2019 – 2020

## **PanOptix (US)**

Trifocal IOL

## **Vivity (International)**

Extended range vision IOL; monofocal-like disturbance

## **ARGOS biometer**

Pre-operative biometer with image guidance

## **Legion (International)**

Value segment phaco console

2021 – 2022

## **Vivity (US)**

Non-diffractive extended depth of focus IOL

## **InnovEyes**

Refractive diagnostic for myopia treatment

## **Digital Health Solutions**

Cloud-based Cataract Planner

## **Clareon family of products**

IOLs with trifocal, extended range vision and toric optical designs on our *Clareon* material platform; compatible delivery devices

2023+

## **Next generation diagnostic**

All-in-one office diagnostic platform

## **Next generation phaco vit-ret console**

Best-in-class console for cataract and vitreoretinal surgery

## **Novel delivery system**

Allows for smaller incision sizes

## **Next generation refractive suite**

Modular and upgradable refractive console

# Key Takeaways

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Continuous innovation sustaining leadership position in a growing market



Developing integrated equipment ecosystem to deliver efficiency in clinic and OR



Launching best-in-class products to drive global share in PCIOL market



Investing in growth markets to drive new revenue streams



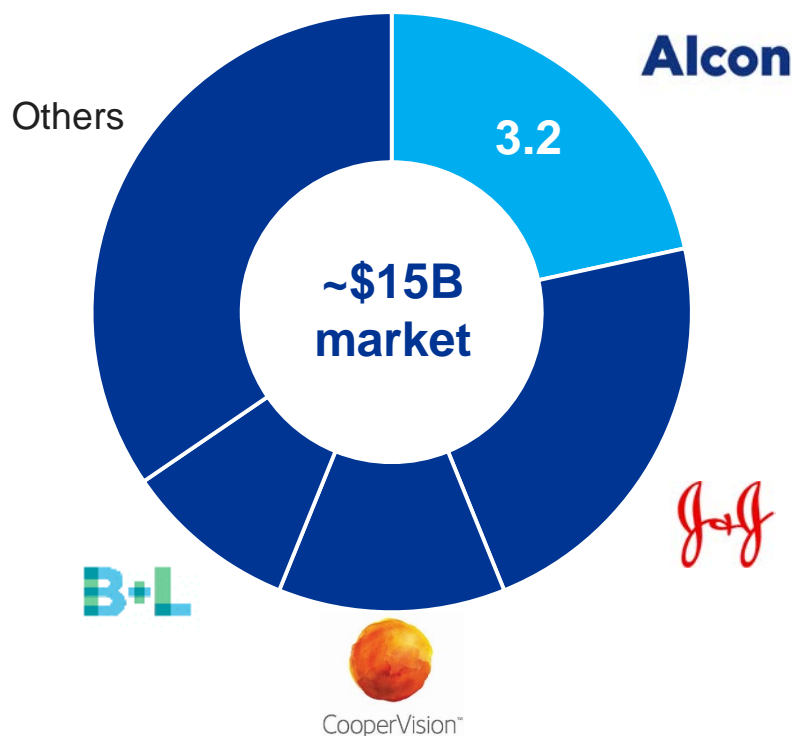
**Alcon**

**ACCELERATING GROWTH IN VISION CARE**

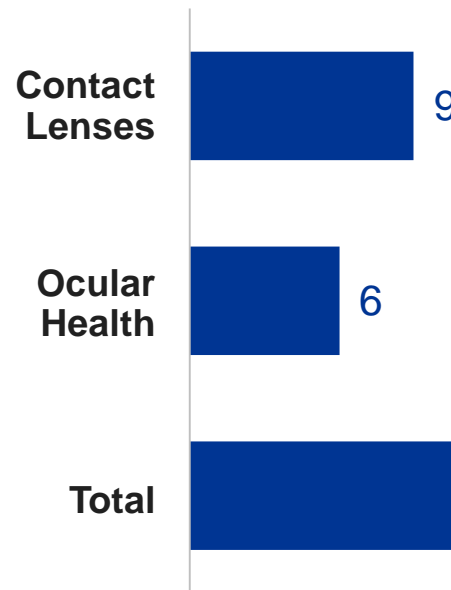
ANDY PAWSON, PRESIDENT VISION CARE

# Leading position in the global vision care market

2019 global vision care sales<sup>1</sup> (\$B)



2019 industry sales<sup>1</sup> (\$B)



2019-2025E industry CAGR<sup>1</sup>



# Delivering on our 2018 commitments:

## What we said we would do

- Win in daily disposables

- Deliver 3 novel lens designs on a new flexible manufacturing base

- Drive Ocular Health with *Systane Complete*

## What we did

- Grew *DAILIES TOTAL1* multifocal share to 45% in total daily multifocal lens category<sup>1</sup>
- Launched *PRECISION1* to lead in share of new fits in US

- Initiated manufacturing on 2 new novel lens designs

- Launched *Systane Complete* in over 30 countries
- Completed OTC switches of *Pataday* Once Daily and Twice Daily

## What's next

- Continue *PRECISION1* rollout with *PRECISION1* for Astigmatism
- Specialty expansion with *DAILIES TOTAL1*

- Launch *TOTAL30* in the reusable family (pending approval)

- MDPF (three variants)
- *Pataday* Extra Strength OTC switch

# What's next: winning in dailies with a superior mainstream SiHy platform



Alcon's leading brand in new and switch fits in 2020

Bringing benefits of daily SiHy to wider customer base

*SMARTSURFACE*: a permanent, high performance layer of moisture at the lens surface

Concurrent *PRECISION1* sphere and toric launches to drive share in daily SiHy toric, where Alcon is under-indexed

# What's next: launching best-in-class, only water gradient lens in the \$4B reusables market



Leveraging *DAILIES TOTAL1* water gradient technology

New biomimetic surface properties

“Feels like nothing” even on day 30

Upgrade monthly wearers to the *Total* platform

Favorable cost profile driving attractive economics and margin at launch

Launch planned for 2022



# What's next: continued innovation in dry eye and allergy



- Building on *Systane* family blockbuster potential, in the high growth and margin dry eye market
- Launching 3 Multi-Dose Preservative-Free variants in the next few years
  - Entering ~\$1B global segment where Alcon is under-indexed with single-digit share
  - Marriage of best dry eye formulation with preservative-free technology



- *Pataday* family has captured #1 US share position and Alcon now holds more than 50% US market share
- *Pataday* Once Daily Extra Strength currently executing full retail launch with patent protection for several years
- Driving market growth through commercial execution and investment in direct-to-consumer advertising

# Vision Care pipeline: rich product flow fueling growth



# Key Takeaways

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Rich product flow driving growth ahead of market



Winning in daily disposables with *PRECISION1* and *DAILIES TOTAL1* and entering the fast-growing toric segment



Reigniting the reusable segment with *TOTAL30*



Taking share in new segments with *Systane* Multi-Dose Preservative Free and *Pataday*



**Alcon**

## TRANSFORMING EYE CARE

MICHAEL ONUSCHECK, PRESIDENT INNOVATION

# How we think about innovation



Deep understanding  
of eye care needs



World-class  
expertise



Balanced incremental  
versus disruptive



Agnostic to  
internal versus  
external

# External innovation: rich BD&L activities focused on augmenting core business growth

**Agnostic to the source of innovation**



**Remain the partner of choice for commercializing technologies globally**



**Leverage Alcon's global footprint and scale**



**Offer flexibility to execute various investment structures**



**Bolt-on capabilities and enter adjacent categories**



Continuing to expand  
the frontiers of eye care  
through internal and  
external innovation

\$30B+ addressable  
markets<sup>1</sup>

Accommodating IOLs

Customizable IOLS

Robotic technology

Presbyopia correction

Dry eye delivery devices

Next generation retinal tamponades

Surgical glaucoma

Ophthalmic pharma

Corneal treatments

# Internal innovation: world-class resources focused on continued pipeline rejuvenation

**26**

Surgical  
launches since 2018

**14**

Vision Care  
launches since 2018

**+15%**

core R&D investment  
versus 2018

**1,400**

R&D associates

**11,000**

patents granted

**100+**

active projects  
in development

# Robust innovation engine pushing the boundaries of eye care today



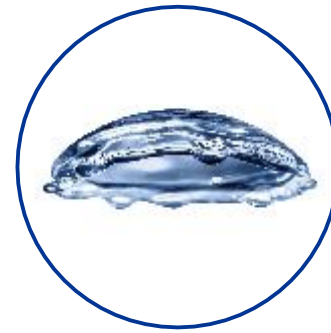
**Disruptive  
ATIOLs**



**Digital Health  
Solutions**



**Next generation  
contact  
lens design**



**Presbyopia  
solutions**

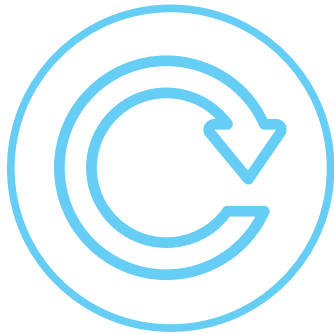


**Novel delivery  
beyond the drop**

# Evolving breakthrough ATIOL technology

**+\$200M**

PCIOL sales versus 2018



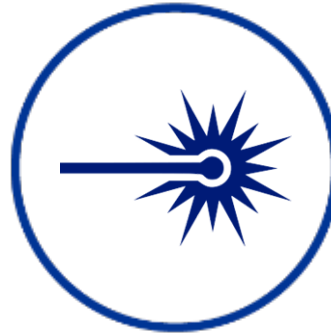
## IOL innovation

Long history of delivering innovation to the market

*PanOptix* and *Vivity* recent examples

**Multiple programs**

in adjustable IOLs



## Customizable IOLs

Multiple active programs increasing our aggregate probability of success

**Up to 2 Diopters**

objective accommodation achieved



## True accommodating IOLs

Multiple diopter change achieved in implanted subjects

# Evolving breakthrough ATIOL technology



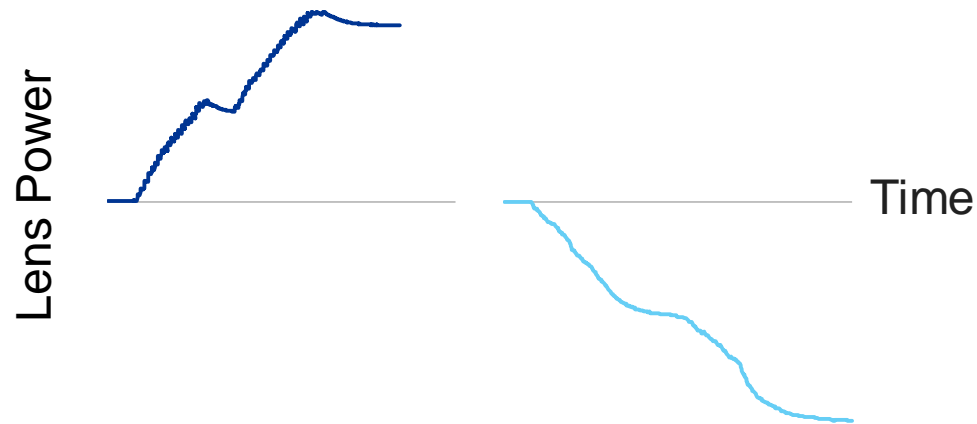
## Customizable

Power adjustment  
energy applied

Increasing power

Decreasing power

Change in lens power<sup>1</sup>  
(bench data)

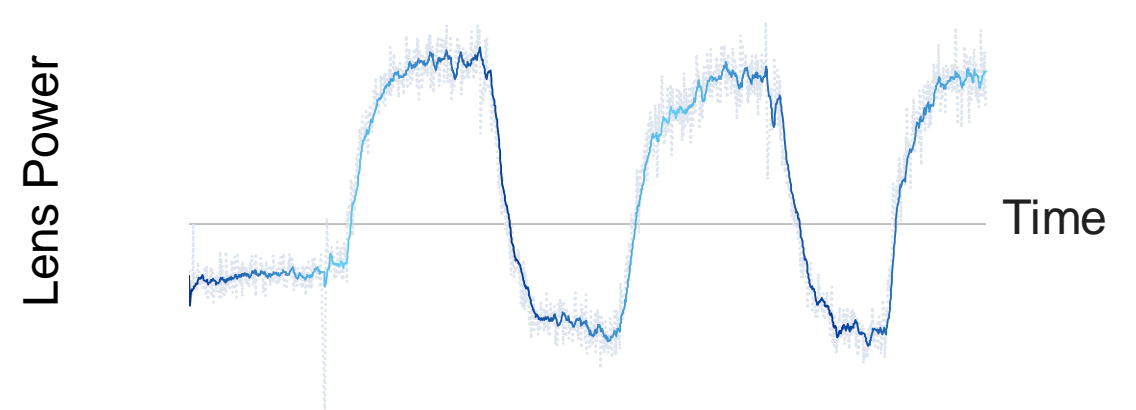


## Accommodating

Gaze target  
near/far (clinical study subject)



Change in optical power<sup>2</sup>  
(clinical study subject)



# Enriching our installed base to win the next decade of consumables

Leading installed equipment base

**30,000+**

active phaco and vitreoretinal consoles



Driving procedural consumables annuity

**\$2B+**

Alcon consumables business



**Coming soon**

Superior fluidics for cataract and vitreoretinal

Near-physiological IOP with less ultrasound

Improved occlusion break surge control

Shorter case times

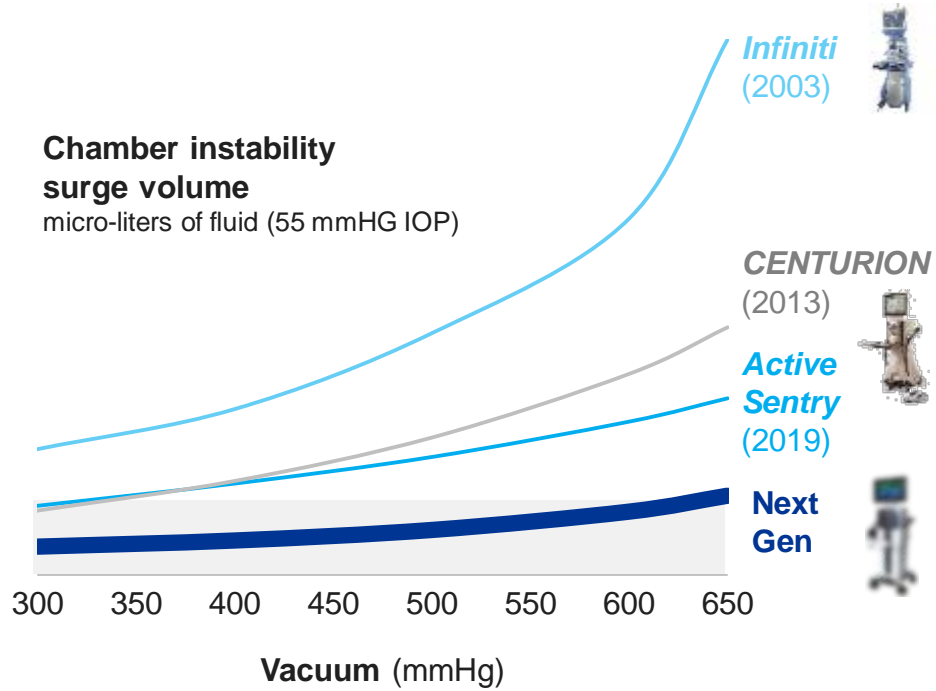
# Meaningful solutions that deliver value to practices

## Clinical challenge

### Occlusion break surge

- Transient fluid rush after clearance of a lens fragment
- Can cause IOP to fall or the capsule to vault forward
- Increases potential risk of posterior capsule rupture

## Technology advancement



- ▶ Lower surge break volumes
- ▶ More efficient cataract clearing
- ▶ Lower risk of ruptures and tears
- ▶ Shorter case times

# Leveraging our global installed base

Best-in-class dual  
function console



Renewing our **anchoring technologies** in the OR



Securing the **next decade of consumables**



Harvesting **manufacturing cost savings** with a single platform across cataract and vitreoretinal



Creating positive economics for the provider



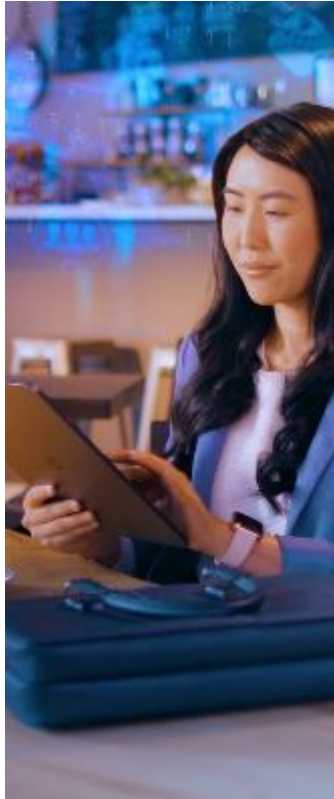
Establishing a **cornerstone digital technology** as the next consumable in our ecosystem

# Digitalizing ophthalmology

*SMARTSuite* Cataract Planner



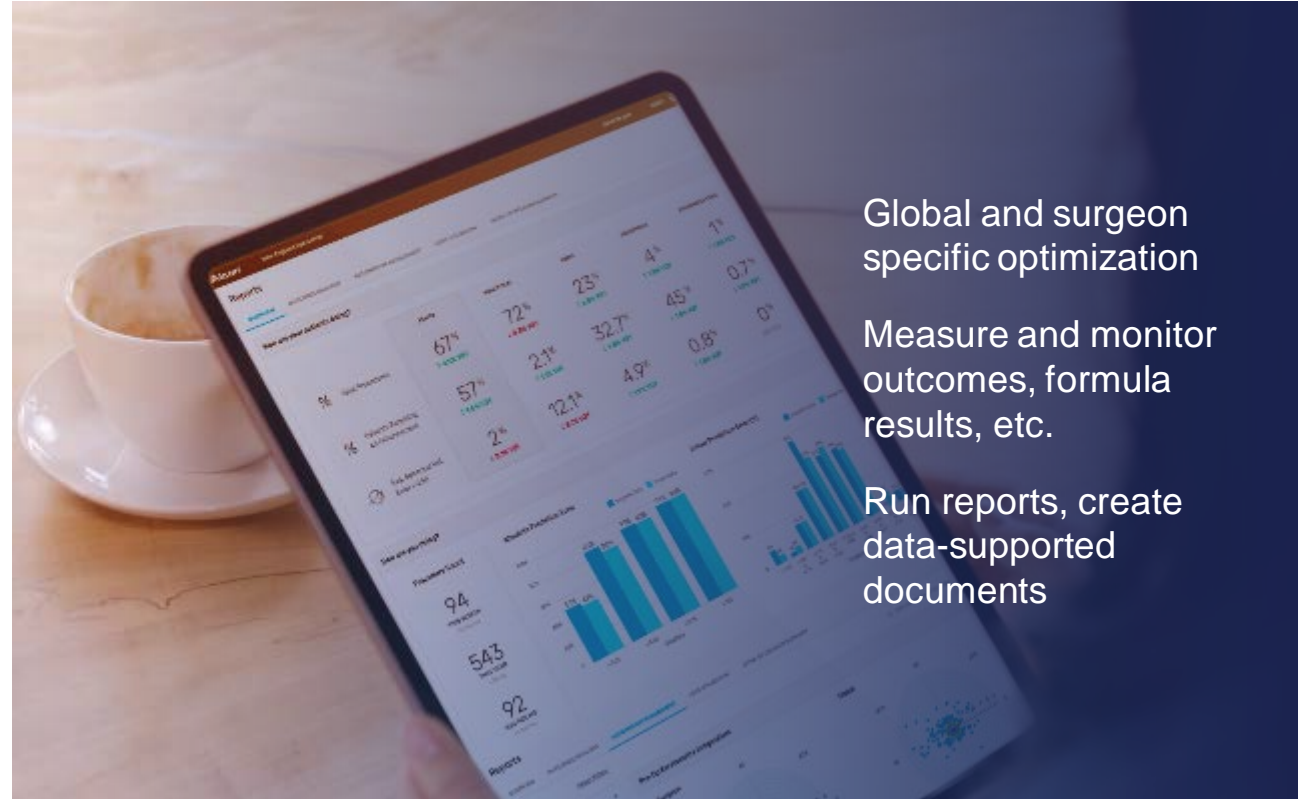
EMR and device connectivity



Comprehensive planning and management



Secure automated data transfer



Global and surgeon specific optimization

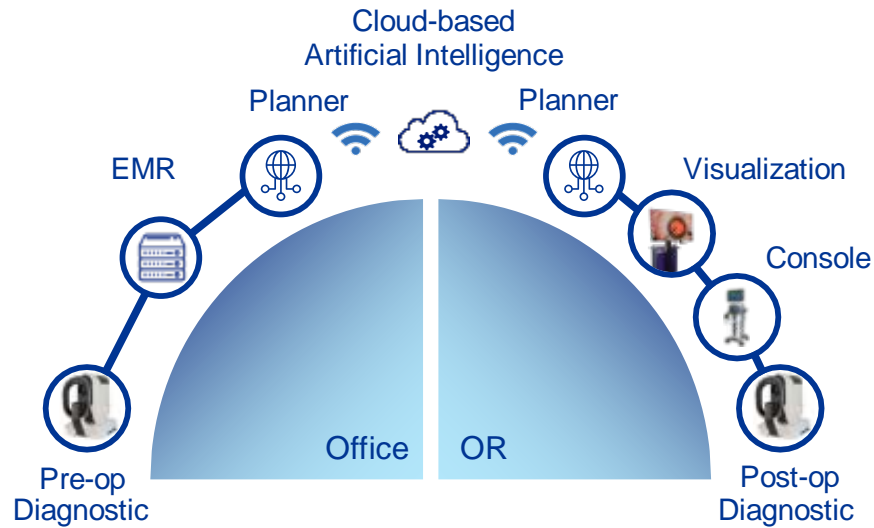
Measure and monitor outcomes, formula results, etc.

Run reports, create data-supported documents

Robust optimization and outcomes-based reporting

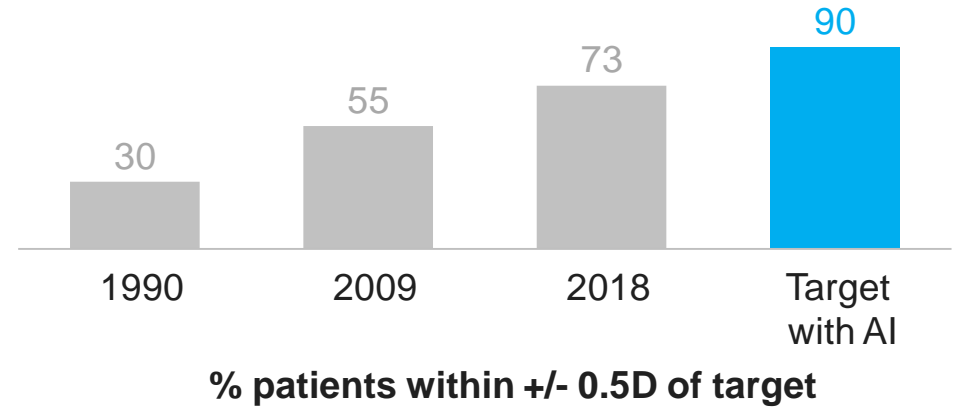
# Driving efficiency and improving outcomes with an interconnected digital ecosystem

## Efficiency



**Targeting ~35% improvement in time spent planning a case**

## Outcomes<sup>1</sup>



**Targeting ~90% within +/-0.5D**

# New manufacturing platform: creating a powerful engine for future innovation in contact lenses

## From ...

dedicated, fixed manufacturing

single modality and chemistry

semi-automated, rigid capacity

## To ...

highly modular, flexible production

multiple modalities and chemistries

fully automated, fast cycle times

## Finalizing 3rd novel Lens

COMING SOON

Output  
per line<sup>1</sup>



Cost  
per lens<sup>1</sup>



CAPEX  
per line<sup>1</sup>



# Presbyopia correction: an untapped market opportunity



Multifocal solutions today compromise on distance visual acuity

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Presbyopia prevalence estimated to be **80%** by age 45-55<sup>1</sup>

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**~60%** of those needing multifocal correction are interested in contacts<sup>1</sup>

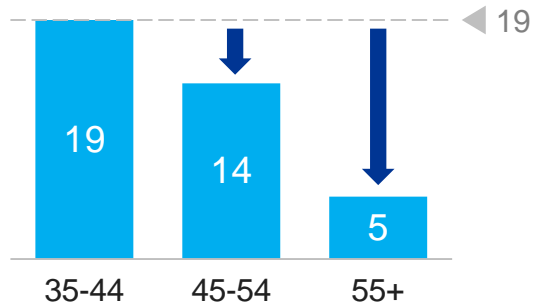
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Multifocal category growing **~15%** annually<sup>1</sup>

# High contact lens drop-out rate related to presbyopia for older consumers

Contact lens drop-out accelerates after age 45<sup>1</sup>

US contact lens penetration % by users by age bracket



## Top reasons for drop-out:

1. Problems with vision
2. Discomfort

## Today's multifocal solutions remain suboptimal

For high add powers, today's lens technologies compromise on distance visual acuity



## What we have done

1. Water gradient technology

2. Improved surface treatment

3. Better multifocal contact lens



## Traditional eye drop delivery remains ripe for innovation

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### Pain points

**70%** have difficulty aiming eye drops<sup>1</sup>

**50%** miss on the first try<sup>1</sup>

**40%** use the wrong product for dry eye

**33%** dry eye patients are diagnosed<sup>2</sup>

1. Davies et al, Journal of Ophthalmology (June, 2017).

2. Market Scope – 2019 Dry Eye Products Report.

# Ocular Health innovation going beyond the drop

**Innovative packaging**  
options to meet unique  
consumer needs



**Premium delivery** of  
finely misted solutions



**Impregnated films** that  
dissolve over time



**Eluting devices** that  
deliver over time



**Unique delivery advantage for new and existing agents  
used to treat a spectrum of eye conditions**

# Key Takeaways

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Robust product pipeline driving sustainable growth



Developing breakthrough innovation to expand markets



Driving the digitalization of eye care



Protecting the core business with next generation products

# Conclusion

Alcon is a world-class leader  
in an attractive market

Exciting innovation sustains leadership  
position and expands markets

Best-in-class products fuel growth  
and market share

Operating leverage drives  
significant margin expansion and  
free cash flow



**Alcon**

**APPENDIX**

# Non-IFRS financial 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.

## Reconciliation of guidance for 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 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.

## 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.

# Non-IFRS financial measures

## 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 (i) 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 quarterly IFRS to Core Results

Three months ended December 31, 2020

(\$ millions except earnings per share)	IFRS results	Amortization of certain intangible assets <sup>(1)</sup>	Impairments <sup>(2)</sup>	Separation costs <sup>(3)</sup>	Transformation costs <sup>(4)</sup>	Post-employment benefits <sup>(5)</sup>	Other items <sup>(6)</sup>	Core results
<b>Gross profit</b>	<b>875</b>	<b>249</b>	<b>49</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>1,189</b>
<b>Operating income</b>	<b>141</b>	<b>249</b>	<b>49</b>	<b>36</b>	<b>15</b>	<b>(166)</b>	<b>(37)</b>	<b>287</b>
<b>Income before taxes</b>	<b>104</b>	<b>249</b>	<b>49</b>	<b>36</b>	<b>15</b>	<b>(166)</b>	<b>(37)</b>	<b>250</b>
Taxes <sup>(7)</sup>	(9)	(41)	(12)	(6)	(3)	40	(16)	(47)
<b>Net income</b>	<b>95</b>	<b>208</b>	<b>37</b>	<b>30</b>	<b>12</b>	<b>(126)</b>	<b>(53)</b>	<b>203</b>
Basic earnings per share (\$)	0.19							0.41
Diluted earnings per share (\$)	0.19							0.41
Basic - weighted average shares outstanding (millions) <sup>(8)</sup>	489.2							489.2
Diluted - weighted average shares outstanding (millions) <sup>(8)</sup>	492.4							492.4
<b>Adjustments to arrive at core operating income</b>								
Selling, general & administration	(737)	-	-	8	-	-	-	(729)
Research & development	(155)	-	-	-	-	-	(19)	(174)
Other income	210	-	-	-	-	(166)	(32)	12
Other expense	(52)	-	-	26	15	-	-	(11)

Refer to the associated explanatory footnotes at the end of the 'Reconciliation of quarterly IFRS to Core Results' tables.

# Reconciliation of quarterly IFRS to Core Results

Three months ended September 30, 2020

(\$ millions except (loss)/earnings per share)	IFRS results	Amortization of certain intangible assets <sup>(1)</sup>	Impairments <sup>(2)</sup>	Separation costs <sup>(3)</sup>	Transformation costs <sup>(4)</sup>	Post-employment benefits <sup>(5)</sup>	Other items <sup>(6)</sup>	Core results
<b>Gross profit</b>	<b>848</b>	<b>250</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>1,116</b>
<b>Operating (loss)/income</b>	<b>(129)</b>	<b>255</b>	<b>61</b>	<b>48</b>	<b>14</b>	<b>12</b>	<b>18</b>	<b>279</b>
<b>(Loss)/income before taxes</b>	<b>(168)</b>	<b>255</b>	<b>61</b>	<b>48</b>	<b>14</b>	<b>12</b>	<b>18</b>	<b>240</b>
Taxes <sup>(7)</sup>	21	(44)	(8)	(7)	(3)	(2)	(4)	(47)
<b>Net (loss)/income</b>	<b>(147)</b>	<b>211</b>	<b>53</b>	<b>41</b>	<b>11</b>	<b>10</b>	<b>14</b>	<b>193</b>
Basic (loss)/earnings per share (\$)	(0.30)							0.39
Diluted (loss)/earnings per share (\$)	(0.30)							0.39
Basic - weighted average shares outstanding (millions) <sup>(8)</sup>	489.1							489.1
Diluted - weighted average shares outstanding (millions) <sup>(8)</sup>	489.1							492.0
<b>Adjustments to arrive at core operating income</b>								
Selling, general & administration	(685)	-	-	5	-	-	-	(680)
Research & development	(216)	5	61	-	-	-	5	(145)
Other income	7	-	-	-	-	-	(1)	6
Other expense	(83)	-	-	39	14	12	-	(18)

Refer to the associated explanatory footnotes at the end of the 'Reconciliation of quarterly IFRS to Core Results' tables.

# Reconciliation of quarterly IFRS to Core Results

Three months ended June 30, 2020

(\$ millions except (loss) per share)	IFRS results	Amortization of certain intangible assets <sup>(1)</sup>	Impairments <sup>(2)</sup>	Separation costs <sup>(3)</sup>	Transformation costs <sup>(4)</sup>	Other items <sup>(6)</sup>	Core results
<b>Gross profit</b>	<b>345</b>	<b>250</b>	<b>41</b>	<b>4</b>	<b>-</b>	<b>14</b>	<b>654</b>
<b>Operating (loss)</b>	<b>(466)</b>	<b>258</b>	<b>41</b>	<b>62</b>	<b>13</b>	<b>13</b>	<b>(79)</b>
<b>(Loss) before taxes</b>	<b>(502)</b>	<b>258</b>	<b>41</b>	<b>62</b>	<b>13</b>	<b>13</b>	<b>(115)</b>
Taxes <sup>(7)</sup>	80	(43)	(10)	(11)	(3)	(1)	12
<b>Net (loss)</b>	<b>(422)</b>	<b>215</b>	<b>31</b>	<b>51</b>	<b>10</b>	<b>12</b>	<b>(103)</b>
Basic (loss) per share (\$)	(0.86)						(0.21)
Diluted (loss) per share (\$)	(0.86)						(0.21)
Basic - weighted average shares outstanding (millions) <sup>(8)</sup>	489.0						489.0
Diluted - weighted average shares outstanding (millions) <sup>(8)</sup>	489.0						489.0
<b>Adjustments to arrive at core operating loss</b>							
Selling, general & administration	(595)	-	-	6	-	-	(589)
Research & development	(163)	8	-	-	-	9	(146)
Other income	9	-	-	-	-	(3)	6
Other expense	(62)	-	-	52	13	(7)	(4)

Refer to the associated explanatory footnotes at the end of the 'Reconciliation of quarterly IFRS to Core Results' tables.

# Reconciliation of quarterly IFRS to Core Results

Three months ended March 31, 2020

(\$ millions except (loss)/earnings per share)	IFRS results	Amortization of certain intangible assets <sup>(1)</sup>	Impairments <sup>(2)</sup>	Separation costs <sup>(3)</sup>	Transformation costs <sup>(4)</sup>	Other items <sup>(6)</sup>	Core results
<b>Gross profit</b>	<b>872</b>	<b>252</b>	<b>16</b>	<b>3</b>	<b>-</b>	<b>(10)</b>	<b>1,133</b>
<b>Operating (loss)/income</b>	<b>(28)</b>	<b>259</b>	<b>16</b>	<b>71</b>	<b>7</b>	<b>(23)</b>	<b>302</b>
<b>(Loss)/income before taxes</b>	<b>(69)</b>	<b>259</b>	<b>16</b>	<b>71</b>	<b>7</b>	<b>(23)</b>	<b>261</b>
Taxes <sup>(7)</sup>	12	(44)	(4)	(13)	(1)	8	(42)
<b>Net (loss)/income</b>	<b>(57)</b>	<b>215</b>	<b>12</b>	<b>58</b>	<b>6</b>	<b>(15)</b>	<b>219</b>
Basic (loss)/earnings per share (\$)	(0.12)						0.45
Diluted (loss)/earnings per share (\$)	(0.12)						0.45
Basic - weighted average shares outstanding (millions) <sup>(8)</sup>	488.6						488.6
Diluted - weighted average shares outstanding (millions) <sup>(8)</sup>	488.6						491.2
<b>Adjustments to arrive at core operating income</b>							
Selling, general & administration	(677)	-	-	3	-	-	(674)
Research & development	(139)	7	-	-	-	(20)	(152)
Other income	9	-	-	-	-	-	9
Other expense	(93)	-	-	65	7	7	(14)

Refer to the associated explanatory footnotes at the end of the 'Reconciliation of quarterly IFRS to Core Results' tables.

# Reconciliation of quarterly IFRS to Core Results

## 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) 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.
- 4) Transformation costs, primarily related to restructuring and third party consulting fees, for the multi-year transformation program.
- 5) For the three months ended December 31, 2020, Other income includes impacts from post-employment benefit plan amendments.

For the three months ended September 30, 2020, Other expense includes an impact from a pension plan amendment.

- 6) For the three months ended December 31, 2020, Gross profit includes losses on disposal of property, plant & equipment and a fair value adjustment of a contingent consideration liability. Research & development includes a \$26 million fair value adjustment of a contingent consideration liability, partially offset by \$7 million in expenses primarily related to the amortization of option rights. Other income includes a gain relating to an extinguishment of certain potential liabilities under the employee matters agreement executed at Spin-off and fair value adjustments of financial assets.

For the three months ended September 30, 2020, Gross profit primarily includes losses on disposal of property, plant & equipment. Research & development includes amortization of option rights. Other income includes fair value adjustments of financial assets.

For the three months ended June 30, 2020, Gross profit includes losses on disposal of property, plant & equipment and a fair value adjustment of a contingent consideration liability. Research & development includes amortization of option rights. Other income and expense include fair value adjustments of financial assets.

For the three months ended March 31, 2020, Gross profit includes fair value adjustments of contingent consideration liabilities. Research & development includes a \$34 million fair value adjustment of a contingent consideration liability partially offset by \$14 million in amortization of option rights. Other expense primarily includes fair value adjustments of a financial asset.

# Reconciliation of quarterly IFRS to Core Results

## Explanatory footnotes to IFRS to Core reconciliation tables

- 7) For the three months ended December 31, 2020, total tax adjustments of \$38 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$146 million totaled \$25 million with an average tax rate of 17.1%. Core tax adjustments for discrete items totaled \$13 million, primarily related to a change in estimate related to periods prior to the Spin-off.

For the three months ended September 30, 2020, total tax adjustments of \$68 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$408 million totaled \$65 million with an average tax rate of 15.9%.

For the three months ended June 30, 2020, total tax adjustments of \$68 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$387 million totaled \$67 million with an average tax rate of 17.3%.

For the three months ended March 31, 2020, total tax adjustments of \$54 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$330 million totaled \$64 million with an average tax rate of 19.4%. Core tax adjustments for discrete items totaled \$10 million, primarily related to tax expense from the delayed spin of a legal entity.

- 8) For the three months ended December 31, 2020, core basic earnings per share was 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 5 to the Q4 2020 Condensed Consolidated Interim Financial Statements.

For the three months ended September 30, 2020, core basic earnings per share was 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 5 to the Q3 2020 Condensed Consolidated Interim Financial Statements.

For the three months ended June 30, 2020, core basic and diluted loss per share are calculated using the weighted-average shares of common stock outstanding during the period.

For the three months ended March 31, 2020, core basic earnings per share was 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 5 to the Q1 2020 Condensed Consolidated Interim Financial Statements.

# Reconciliation of annual IFRS to Core Results

Twelve months ended December 31, 2020

(\$ millions except (loss)/earnings per share)	IFRS results	Amortization of certain intangible assets <sup>(1)</sup>	Impairments <sup>(2)</sup>	Separation costs <sup>(3)</sup>	Transformation costs <sup>(4)</sup>	Post-employment benefits <sup>(5)</sup>	Other items <sup>(7)</sup>	Core results
<b>Gross profit</b>	<b>2,940</b>	<b>1,001</b>	<b>106</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>32</b>	<b>4,092</b>
<b>Operating (loss)/income</b>	<b>(482)</b>	<b>1,021</b>	<b>167</b>	<b>217</b>	<b>49</b>	<b>(154)</b>	<b>(29)</b>	<b>789</b>
<b>(Loss)/income before taxes</b>	<b>(635)</b>	<b>1,021</b>	<b>167</b>	<b>217</b>	<b>49</b>	<b>(154)</b>	<b>(29)</b>	<b>636</b>
Taxes <sup>(6)</sup>	104	(172)	(34)	(37)	(10)	38	(13)	(124)
<b>Net (loss)/income</b>	<b>(531)</b>	<b>849</b>	<b>133</b>	<b>180</b>	<b>39</b>	<b>(116)</b>	<b>(42)</b>	<b>512</b>
Basic (loss)/earnings per share (\$)	(1.09)							1.05
Diluted (loss)/earnings per share (\$)	(1.09)							1.04
Basic - weighted average shares outstanding (millions) <sup>(9)</sup>	489.0							489.0
Diluted - weighted average shares outstanding (millions) <sup>(9)</sup>	489.0							491.8
<b>Adjustments to arrive at core operating income</b>								
Selling, general & administration	(2,694)	-	-	22	-	-	-	(2,672)
Research & development	(673)	20	61	-	-	-	(25)	(617)
Other income	235	-	-	-	-	(166)	(36)	33
Other expense	(290)	-	-	182	49	12	-	(47)

Refer to the associated explanatory footnotes at the end of the 'Reconciliation of annual IFRS to Core Results' tables.

# Reconciliation of annual IFRS to Core Results

Twelve months ended December 31, 2019

(\$ millions except (loss)/earnings per share)	IFRS results	Amortization of certain intangible assets <sup>(1)</sup>	Separation costs <sup>(3)</sup>	Transformation costs <sup>(4)</sup>	Legal items <sup>(6)</sup>	Other items <sup>(7)</sup>	Core results
<b>Gross profit</b>	<b>3,662</b>	<b>1,007</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>(16)</b>	<b>4,663</b>
<b>Operating (loss)/income</b>	<b>(187)</b>	<b>1,040</b>	<b>237</b>	<b>52</b>	<b>32</b>	<b>91</b>	<b>1,265</b>
<b>(Loss)/income before taxes</b>	<b>(332)</b>	<b>1,040</b>	<b>237</b>	<b>52</b>	<b>32</b>	<b>91</b>	<b>1,120</b>
Taxes <sup>(8)</sup>	(324)	(140)	(54)	(7)	(8)	338	(195)
<b>Net (loss)/income</b>	<b>(656)</b>	<b>900</b>	<b>183</b>	<b>45</b>	<b>24</b>	<b>429</b>	<b>925</b>
Basic (loss)/earnings per share (\$)	(1.34)						1.89
Diluted (loss)/earnings per share (\$)	(1.34)						1.89
Basic - weighted average shares outstanding (millions) <sup>(9)</sup>	488.2						488.2
Diluted - weighted average shares outstanding (millions) <sup>(9)</sup>	488.2						490.1
<b>Adjustments to arrive at core operating income</b>							
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)

Refer to the associated explanatory footnotes at the end of the 'Reconciliation of annual IFRS to Core Results' tables.

# Reconciliation of annual IFRS to Core Results

## 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) 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.
- 4) Transformation costs, primarily related to restructuring and third party consulting fees, for the multi-year transformation program.
- 5) For the twelve months ended December 31, 2020, Other income and other expense include impacts from pension and other post-employment benefit plan amendments.
- 6) Includes legal settlement costs and certain external legal fees.
- 7) For the twelve months ended December 31, 2020, Gross profit includes \$35 million primarily for losses on disposal of property, plant & equipment partially offset by \$3 million in fair value adjustments of contingent consideration liabilities. Research & development includes \$60 million in fair value adjustments of contingent consideration liabilities, partially offset by \$35 million in expenses primarily related to the amortization of option rights. Other income includes a gain relating to an extinguishment of certain potential liabilities under the employee matters agreement executed at Spin-off and fair value adjustments of financial assets.

For the twelve months ended December 31, 2019, 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.

# Reconciliation of annual IFRS to Core Results

## Explanatory footnotes to IFRS to Core reconciliation tables

- 8) For the twelve months ended December 31, 2020, total tax adjustments of \$228 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$1.3 billion totaled \$221 million with an average tax rate of 17.4%. Core tax adjustments for discrete items totaled \$7 million.

For the twelve months ended December 31, 2019, 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.

- 9) Core basic earnings per share was 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 5 to the Q4 2020 Condensed Consolidated Interim Financial Statements.

# Reconciliation of Free Cash Flow

The following is a summary of Alcon free cash flow for the twelve months ended December 31, 2019 together with a reconciliation to net cash flows from operating activities, the most directly comparable IFRS measure:

(\$ millions)	2019
<b>Net cash flows from operating activities</b>	<b>920</b>
Purchase of property, plant & equipment	(553)
Proceeds from sale of property, plant & equipment	-
<b>Free cash flow</b>	<b>367</b>

# Glossary of acronyms

ATIOL	Advanced Technology Intraocular Lens
BD&L	Business, Development & Licensing
bps	basis points
CAPEX	Capital Expenditure
CAGR	Compound Annual Growth Rate
EDOF (or EDF)	Extended Depth of Focus
EMR	Electronic Medical Record
FDA	Food and Drug Administration
G&A	General & Administrative Expense
IOL	Intraocular Lens
IOP	Intraocular Pressure
MDPF	Multi-Dose Preservative-Free
OR	Operating Room
OTC	Over-the-Counter
PCIOL	Presbyopia Correcting Intraocular Lens
P&L	Profit & Loss
SiHy	Silicone Hydrogel
TSA	Transition Service Agreement