



**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