

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE
SECURITIES EXCHANGE ACT OF 1934**

August 20, 2019

Commission File Number: 001-31269

ALCON INC.

(Registrant Name)

**Chemin de Blandonnet 8
1214 Vernier , Geneva , Switzerland**
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:
Form 20-F x Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)
(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)
(7):

Exhibit Index

Exhibit Number	Description
99.1	Press release issued by Alcon Inc. dated August 20, 2019 titled "Alcon Reports Second Quarter and First Half 2019 Results"
99.2	Alcon Inc. Condensed Consolidated Interim Financial Report
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation
101.DEF	Inline XBRL Taxonomy Extension Definition
101.LAB	Inline XBRL Taxonomy Extension Label
101.PRE	Inline XBRL Taxonomy Extension Presentation

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALCON INC.

Date: August 20, 2019

By: /s/ Timothy C. Stonesifer

Name: Timothy C. Stonesifer

Title: Authorized Representative

Date: August 20, 2019

By: /s/ Royce Bedward

Name: Royce Bedward

Title: Authorized Representative

Alcon Reports Second Quarter and First Half 2019 Results

- **Second quarter sales of \$ 1.9 billion, an increase of 2% , or 5% constant currency (cc)**
- **Announced the launch of PRECISION1, a new daily SiHy lens designed for the mainstream market**
- **Second quarter mid-single digit growth in all product categories (cc)**
- **Reiterated full year outlook**

Geneva, August 20, 2019 - Alcon (SIX/NYSE:ALC), the global leader in eye care, reported its financial results for the second quarter and first half ended June 30, 2019.

Second quarter and first half 2019 key figures

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net sales (in million \$)	1,863	1,819	3,640	3,598
Operating margin (%)	(2.8)%	2.1%	(2.8)%	3.1%
Core operating margin (%) (1)	16.6%	17.2%	17.1%	18.2%
EPS (\$)	(0.80)	0.03	(1.02)	0.11
Core diluted EPS (\$) (1)	0.47	0.52	0.98	1.10

For the second quarter of 2019, worldwide sales were \$ 1.9 billion, an increase of 2% on a reported basis and an increase of 5% on a constant currency basis ⁽²⁾ , as compared to the same quarter of the previous year. Second quarter 2019 diluted losses per share were \$0.80 and core diluted earnings per share were \$0.47 .

" Our second quarter results demonstrate that we are solidly executing our growth drivers while successfully standing Alcon up as an independent company," said David Endicott, Alcon's Chief Executive Officer. "We maintained strong Surgical performance, driven by new product innovation in both implantables and consumables and demand for surgical equipment. We also delivered improvements in Vision Care, driven by double digit growth of our DAILIES TOTAL1 ® globally, as well as solid sales execution in the U.S."

Mr. Endicott continued, "PRECISION1®, our newest daily SiHy lens, is expected to broaden our contact lens portfolio and enhance our competitive offerings. We're investing in a critical manufacturing platform that we believe will deliver one of our most exciting U.S. launches and position our business for continued growth and expansion."

To view the separate press release on the launch of PRECISION1, click on: <https://www.alcon.com/media-release/alcon-launch-precision1-daily-disposable-contact-lenses-it-continues-deliver-vision>

Second Quarter and First Half 2019 Results

Worldwide sales for the second quarter were \$ 1.9 billion , an increase of 2% , or 5% on a constant currency basis, compared to the second quarter of 2018. Sales growth was driven by the Company's four key growth platforms within the Surgical and Vision Care segments: AT-IOLs, Vitreoretinal, DAILIES TOTAL1 and SYSTANE Complete®. For the first six months ended June 30, 2019, worldwide sales were \$ 3.6 billion , up 1% , or 5% on a constant currency basis, compared to the first six months ended June 30, 2018.

The following table highlights net sales by segment for the second quarter and first half of 2019:

(\$ millions unless indicated otherwise)	Three months ended		Change %		Six months ended		Change %	
	June 30, 2019	June 30, 2018	\$	cc	June 30, 2019	June 30, 2018	\$	cc
Surgical								
Implantables	300	298	1	4	585	577	1	6
Consumables	588	578	2	5	1,139	1,119	2	6
Equipment/other	163	154	6	7	327	311	5	7
Total Surgical	1,051	1,030	2	5	2,051	2,007	2	6
Vision Care								
Contact lenses	493	478	3	6	991	987	—	4
Ocular health	319	311	3	5	598	604	(1)	2
Total Vision Care	812	789	3	6	1,589	1,591	—	3
Net sales to third parties	1,863	1,819	2	5	3,640	3,598	1	5

Surgical growth continues

Surgical net sales of \$ 1.1 billion , which include implantables, consumables and equipment/other, increased 2% , or 5% on a constant currency basis, compared to the second quarter of 2018. All categories performed well, posting mid-single digit growth. Strong international demand for PANOPTIX ® and monofocals, pull-through of dedicated consumables, strong cataract equipment and service revenue were the primary drivers of growth. Year-to-date, Surgical net sales increased 2% , or 6% on a constant currency basis, compared to the first six months ended June 30, 2018.

Vision Care shows steady growth

Vision Care net sales of \$ 0.8 billion , which include contact lenses and ocular health, increased 3% , or 6% on a constant currency basis compared to the second quarter of 2018. Sales of DAILIES TOTAL1 and SYSTANE Complete continued to achieve double-digit gains during the quarter. Sales from the rest of the contact lens portfolio improved due to new product enhancements, better product flow and sales execution. Year-to-date revenues were comparable to the first six months of last year and increased 3% on a constant currency basis.

Operating income/loss

Second quarter 2019 operating loss was \$53 million , which includes charges of \$ 258 million from the amortization of certain intangible assets and \$ 78 million of separation costs. Excluding these and other adjustments, second quarter core operating income was \$310 million . Second quarter core operating margin of 16.6% includes an unfavorable impact of 90 basis points from foreign exchange, compared to the first three months ended June 30, 2018.

Operating loss for the first six months of the year was \$101 million , which includes charges of \$ 513 million from the amortization of certain intangible assets, \$ 78 million of separation costs and \$72 million of spin-readiness costs. Excluding these and other adjustments, first half operating income was \$624 million . Core operating margin for the first half of the year of 17.1% includes an unfavorable impact of 100 basis points from foreign exchange, compared to the first six months ended June 30, 2018.

Diluted earnings per share (EPS)

Second quarter 2019 diluted losses per share were \$0.80 , which includes \$301 million , or \$0.61 per share, in non-cash tax expense resulting from Swiss tax reform. On June 30, 2019, Swiss voters approved the Swiss Tax Reform and Old Age Insurance financing bill which resulted in the re-measurement of the Company's Swiss deferred tax assets and liabilities.

Core diluted earnings per share were \$0.47 for the second quarter, which was impacted by \$0.06 per share from incremental interest expense related to borrowings associated with the spin-off.

First half 2019 diluted losses per share were \$1.02 , including \$0.61 per share in non-cash tax expense resulting from Swiss tax reform and other adjustments. Core diluted earnings were \$0.98 per share for the first half of 2019.

Balance sheet highlights

The Company ended the second quarter with a cash position of \$ 721 million . Following the addition of \$3.5 billion of borrowings at the spin-off, the Company ended the second quarter with a net debt ⁽³⁾ position of \$2.8 billion .

2019 Financial Outlook

Based on solid performance year-to-date, the Company reiterated its full year 2019 guidance provided during the first quarter trading update on May 15, 2019. The Company continues to expect worldwide net sales growth for the full year 2019 to be between 3% and 5% on a constant currency basis, core operating margin to be in the range of 17% to 18%, and core effective tax rate ⁽⁴⁾ to be in the range of 17% to 19%.

Webcast and Conference Call Instructions

The Company will host a conference call on August 21 at 2:00 p.m. Central European Summer Time / 8 a.m. Eastern Time to discuss its second quarter 2019 earnings results. The webcast can be accessed online through Alcon's Investor Relations website, investor.alcon.com. Listeners should log on approximately 10 minutes in advance. A replay will be available online within 24 hours after the event.

The Company's interim financial report and supplemental presentation materials can be found online through Alcon's Investor Relations website, <https://investor.alcon.com/financials/quarterly-results/>, at the beginning of the conference, or by clicking on the link (<https://investor.alcon.com/news-and-events/events-and-presentations/event-details/2019/Alcons-Second-Quarter-2019-Earnings-Conference/default.aspx>).

Footnotes (pages 1-3)

¹ Core results, such as core operating margin and core EPS, are non-IFRS measures. For additional information, including a reconciliation of such core results to the most directly comparable measures presented in accordance with IFRS, see the explanation of non-IFRS measures and reconciliation tables in the 'Non-IFRS measures as defined by the Company' and 'Financial Tables' sections.

² Constant currency (cc) is a non-IFRS measure. Growth in constant currency (cc) is calculated by translating the current year's foreign currency items into U.S. dollars using average exchange rates from the prior year and comparing them to prior year values in U.S. dollars. An explanation of non-IFRS measures can be found in the 'Non-IFRS measures as defined by the Company' section.

³ Net (debt)/liquidity is a non-IFRS measure. For additional information regarding net (debt)/liquidity, which is a non-IFRS measure, see the explanation of non-IFRS measures and reconciliation tables in the 'Non-IFRS measures as defined by the Company' and 'Financial Tables' sections.

⁴ Core effective tax rate, a non-IFRS measure, is the applicable annual tax rate on core taxable income. For additional information, see the explanation regarding reconciliation of forward-looking guidance later in this press release.

Cautionary Note Regarding Forward-Looking Statements

This press release contains “forward-looking statements” within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: “anticipate,” “intend,” “commitment,” “look forward,” “maintain,” “plan,” “goal,” “seek,” “believe,” “project,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “should,” “will” and similar references to future periods.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on Alcon’s current beliefs, expectations and assumptions regarding the future of its business, future plans and strategies, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties and risks that are difficult to predict. Such forward-looking statements are subject to various risks and uncertainties facing Alcon, including: the commercial success of its products and its ability to maintain and strengthen its position in its markets; the success of its research and development efforts; uncertainties regarding the success of Alcon’s separation and spin-off from Novartis; pricing pressure from changes in third party payor coverage and reimbursement methodologies; global economic, financial, legal, tax, political, and social change; ongoing industry consolidation; its ability to maintain relationships in the healthcare industry; changes in inventory levels or buying patterns of its customers; its reliance on sole or limited sources of supply; its reliance on outsourcing key business functions; its ability to protect its intellectual property; the impact on unauthorized importation of its products from countries with lower prices to countries with higher prices; its success in completing and integrating strategic acquisitions; the effects of litigation, including product liability lawsuits; its ability to comply with all laws to which it may be subject; effect of product recalls or voluntary market withdrawals, including CyPass; data breaches; the implementation of its enterprise resource planning system; its ability to attract and retain qualified personnel; the sufficiency of its insurance coverage; the accuracy of its accounting estimates and assumptions, including pension plan obligations and the carrying value of intangible assets; the ability to obtain regulatory clearance and approval of its products as well as compliance with any post-approval obligations; legislative and regulatory reform; the ability of Alcon Pharmaceuticals Ltd. to comply with its investment tax incentive agreement with the Swiss State Secretariat for Economic Affairs in Switzerland and the Canton of Fribourg, Switzerland; ability to service its debt obligations; the need for additional financing; its ability to operate as a stand-alone company; whether the transitional services Novartis has agreed to provide Alcon are sufficient; the impact of the spin-off from Novartis on Alcon’s shareholder base; the ability to declare and pay dividends; and the effect of maintaining or losing its foreign private issuer status under U.S. securities laws. Additional factors are discussed in Alcon’s filings with the United States Securities and Exchange Commission, including its Form 20-F. Should one or more of these uncertainties or risks materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated. Therefore, you should not rely on any of these forward-looking statements.

Forward-looking statements in this press release speak only as of the date of its filing, and Alcon assumes no obligation to update forward-looking statements as a result of new information, future events or otherwise.

Non-IFRS measures as defined by the Company

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

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

Core results

Alcon core results, including core operating income and core net income, exclude all amortization and impairment charges of intangible assets, excluding software, net gains and losses on fund investments and equity securities valued at fair value through profit and loss, 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, impairments of property, plant and equipment and financial assets, as well as income and expense items that management deems exceptional and that are or are expected to accumulate within the year to be over a \$10 million threshold.

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

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

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

Constant currencies

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

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

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

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

Net liquidity/(debt)

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

Growth rate and margin calculations

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

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

Reconciliation of guidance for forward-looking non-IFRS measures

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

Financial tables

Second quarter/ first half 2019 net sales by region

(\$ millions unless indicated otherwise)	Three months ended				Six months ended			
	June 30, 2019		June 30, 2018		June 30, 2019		June 30, 2018	
United States	779	42%	750	41%	1,516	42%	1,462	41%
International	1,084	58%	1,069	59%	2,124	58%	2,136	59%
Net sales to third parties	1,863	100%	1,819	100%	3,640	100%	3,598	100%

Consolidated income statement for the first six months (unaudited)

(\$ millions except (loss)/earnings per share)	Three months ended			Six months ended		
	June 30, 2019	June 30, 2018	Change	June 30, 2019	June 30, 2018	Change
Net sales to third parties	1,863	1,819	44	3,640	3,598	42
Sales to former parent	—	1	(1)	—	2	(2)
Other revenues	40	—	40	87	—	87
Net sales and other revenues	1,903	1,820	83	3,727	3,600	127
Cost of net sales	(922)	(942)	20	(1,847)	(1,855)	8
Cost of other revenues	(34)	—	(34)	(81)	—	(81)
Gross profit	947	878	69	1,799	1,745	54
Selling, general & administration	(760)	(722)	(38)	(1,416)	(1,375)	(41)
Research & development	(167)	(152)	(15)	(313)	(289)	(24)
Other income	6	62	(56)	18	81	(63)
Other expense	(79)	(28)	(51)	(189)	(51)	(138)
Operating (loss)/income	(53)	38	(91)	(101)	111	(212)
Interest expense	(35)	(6)	(29)	(44)	(12)	(32)
Other financial income & expense	(8)	(8)	—	(16)	(14)	(2)
(Loss)/income before taxes	(96)	24	(120)	(161)	85	(246)
Taxes	(294)	(9)	(285)	(338)	(32)	(306)
Net (loss)/income	(390)	15	(405)	(499)	53	(552)

(Loss)/earnings per share						
Basic	(0.80)	0.03	(0.83)	(1.02)	0.11	(1.13)
Diluted	(0.80)	0.03	(0.83)	(1.02)	0.11	(1.13)

Weighted average number of shares outstanding (millions) ⁽¹⁾						
Basic	488.2	488.2	—	488.2	488.2	—
Diluted	488.2	488.2	—	488.2	488.2	—

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

Key balance sheet highlights

(\$ millions)	June 30, 2019	December 31, 2018
Cash and cash equivalents	721	227
Current financial debts	1,771	47
Non-current financial debts	1,751	—

Free cash flow

The following is a summary of Alcon free cash flow for the six months ended June 30, 2019 and 2018 , together with a reconciliation to net cash flows from operating activities, the most directly comparable IFRS measure:

(\$ millions)	Six months ended	
	June 30, 2019	June 30, 2018
Net cash flows from operating activities	301	555
Purchase of property, plant & equipment	(206)	(179)
Free cash flow	95	376

Net (debt)/liquidity

(\$ millions)	At June 30, 2019
Current financial debt	(1,771)
Other financial liabilities to former parent	—
Other financial receivables from former parent	—
Non-current financial debt (1)	(1,751)
Total financial debt	(3,522)

Less liquidity:

Cash and cash equivalents	721
Derivative financial instruments	1
Total liquidity	722
Net (debt)/liquidity (1)	(2,800)

(1) Alcon adopted IFRS 16, Leases as of January 1, 2019 using the modified retrospective approach as described in Notes 2 and 7 to the Condensed Consolidated Interim Financial Statements. Under the modified retrospective approach, comparative information was not restated. However, the balances previously reported in "Financial debts" for a finance lease obligation have been reclassified from "Financial debts" to "Non-current lease liabilities" to enhance the inter-period comparability of information presented. This reclassification of Balance Sheet presentation has also been reflected in the computation of Net (debt)/liquidity, resulting in an increase in Net (debt)/liquidity of \$89 million as of December 31, 2018.

Reconciliation of IFRS to Core results

Three months ended June 30, 2019

(\$ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Separation Costs ⁽²⁾	Other Items ⁽³⁾	Core Results
Gross profit	947	252	3	2	1,204
Selling, general & administration	(760)		13	2	(745)
Research & development	(167)	6	2	13	(146)
Other income	6			2	8
Other expense	(79)		60	8	(11)
Operating (loss)/income	(53)	258	78	27	310
(Loss)/income before taxes	(96)	258	78	27	267
Taxes ⁽⁴⁾	(294)	(36)	(18)	312	(36)
Net (loss)/income	(390)	222	60	339	231
Basic (loss)/earnings per share ⁽⁵⁾	(0.80)				0.47
Diluted (loss)/earnings per share ⁽⁵⁾	(0.80)				0.47

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

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

(3) Gross profit includes manufacturing sites consolidation activities. Selling, general & administration includes expenses for integration of recent acquisitions. Research & development includes \$16 million primarily for the amortization of option rights and expenses for integration of recent acquisitions, partially offset by a \$3 million fair value adjustment of a contingent consideration liability. Other income and expense include \$10 million for fair value adjustments of a financial asset and other items.

(4) Total tax adjustments of \$258 million included tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$363 million totaled \$58 million with an average tax rate of 16.0%.

Core tax adjustments for discrete items totaled \$316 million, including a \$301 million non-cash tax expense for re-measurement of deferred tax balances as a result of Swiss tax reform, changes in uncertain tax positions and other items.

(5) Core basic earnings per share is calculated using the 488.2 million weighted-average shares of common stock outstanding during the period following the spin-off.

Core diluted earnings per share also contemplate dilutive shares of 1.8 million associated with unvested equity-based awards as described in Note 6 to the Condensed Consolidated Interim Financial Statements, yielding 490.0 million weighted-average diluted shares for the three months ended June 30, 2019.

Reconciliation of IFRS to Core results (continued)

Three months ended June 30, 2018

(\$ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Restructuring items ⁽³⁾	Legal items ⁽⁴⁾	Other Items ⁽⁵⁾	Core Results
Gross profit	878	251	39				1,168
Selling, general & administration	(722)						(722)
Research & development	(152)	3				18	(131)
Other income	62			(1)	(1)	(49)	11
Other expense	(28)			3	10	1	(14)
Operating income	38	254	39	2	9	(30)	312
Income before taxes	24	254	39	2	9	(30)	298
Taxes ⁽⁶⁾	(9)						(42)
Net income	15						256
Basic earnings per share ⁽⁷⁾	0.03						0.52
Diluted earnings per share ⁽⁷⁾	0.03						0.52

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

(2) Includes impairment charges related to intangible assets.

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

(4) Includes legal costs related to an investigation.

(5) Research and development includes amortization of option rights and a fair value adjustment of a contingent consideration liability. Other income and expense primarily include \$49 million for fair value adjustments of a financial asset.

(6) Tax associated with operating income core adjustments of \$274 million totaled \$33 million. The core tax rate of 14.2% has been applied to core pre-tax income for the period.

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

Reconciliation of IFRS to Core results (continued)

Six months ended June 30, 2019

(\$ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Separation Costs ⁽²⁾	Legal items ⁽³⁾	Other Items ⁽⁴⁾	Core Results
Gross profit	1,799	502	3		10	2,314
Selling, general & administration	(1,416)		13		9	(1,394)
Research & development	(313)	11	2		20	(280)
Other income	18				(1)	17
Other expense	(189)		60	32	64	(33)
Operating (loss)/income	(101)	513	78	32	102	624
(Loss)/income before taxes	(161)	513	78	32	102	564
Taxes ⁽⁵⁾	(338)	(70)	(18)	(8)	348	(86)
Net (loss)/income	(499)	443	60	24	450	478
Basic (loss)/earnings per share ⁽⁶⁾	(1.02)					0.98
Diluted (loss)/earnings per share ⁽⁶⁾	(1.02)					0.98

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

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

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

(4) Gross Profit includes spin readiness costs and manufacturing sites consolidation activities. Selling, general & administration includes expenses for spin readiness and integration of recent acquisitions. Research & development includes \$33 million primarily for the amortization of option rights and expenses for integration of recent acquisitions, partially offset by \$13 million in fair value adjustments of a contingent consideration liability. Other income and expense primarily includes spin readiness costs.

(5) Total tax adjustments of \$252 million included tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$725 million totaled \$115 million with an average tax rate of 15.9%.

Core tax adjustments for discrete items totaled \$367 million, including a \$301 million non-cash tax expense for re-measurement of deferred tax balances as a result of Swiss tax reform and a \$68 million tax expense related to rate changes in the US following the Spin-Off, offset by net changes in uncertain tax positions.

(6) Core basic earnings per share is calculated using the 488.2 million weighted-average shares of common stock outstanding during the period following the spin-off.

Core diluted earnings per share also contemplate dilutive shares of 0.9 million associated with unvested equity-based awards as described in Note 6 to the Condensed Consolidated Interim Financial Statements, yielding 489.1 million weighted-average diluted shares for the six months ended June 30, 2019.

Reconciliation of IFRS to Core results (continued)

Six months ended June 30, 2018

(\$ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Restructuring items ⁽³⁾	Legal items ⁽⁴⁾	Other Items ⁽⁵⁾	Core Results
Gross profit	1,745	502	39				2,286
Selling, general & administration	(1,375)						(1,375)
Research & development	(289)	5				31	(253)
Other income	81			(1)	(1)	(59)	20
Other expense	(51)			3	19	5	(24)
Operating income	111	507	39	2	18	(23)	654
Income before taxes	85	507	39	2	18	(23)	628
Taxes ⁽⁶⁾	(32)						(89)
Net income	53						539
Basic earnings per share ⁽⁷⁾	0.11						1.10
Diluted earnings per share ⁽⁷⁾	0.11						1.10

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

(2) Includes impairment charges related to intangible assets.

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

(4) Includes legal costs related to an investigation.

(5) Research and development includes amortization of option rights and a fair value adjustment of a contingent consideration liability. Other income and expense primarily include fair value adjustments of a financial asset.

(6) Tax associated with operating income core adjustments of \$543 million totaled \$57 million. The core tax rate of 14.2% has been applied to core pre-tax income for the period.

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

About Alcon

Alcon helps people see brilliantly. As the global leader in eye care with a heritage spanning more than seven decades, we offer the broadest portfolio of products to enhance sight and improve people's lives. Our Surgical and Vision Care products touch the lives of more than 260 million people in over 140 countries each year living with conditions like cataracts, glaucoma, retinal diseases and refractive errors. Our more than 20,000 associates are enhancing the quality of life through innovative products, partnerships with eye care professionals and programs that advance access to quality eye care. Learn more at www.alcon.com.



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ALCON INC. CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

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OPERATING PERFORMANCE

Key figures

(\$ millions unless indicated otherwise)	Three months ended		Change %		Six months ended		Change %	
	June 30, 2019	June 30, 2018	\$	cc (1)	June 30, 2019	June 30, 2018	\$	cc (1)
Net sales to third parties	1,863	1,819	2	5	3,640	3,598	1	5
Gross profit	947	878	8	13	1,799	1,745	3	9
Operating (loss)/income	(53)	38	nm	nm	(101)	111	nm	nm
Operating margin (%)	(2.8)	2.1			(2.8)	3.1		
Net (loss)/income	(390)	15	nm	nm	(499)	53	nm	nm
Basic and diluted (loss)/earnings per share (\$) (2)	(0.80)	0.03	nm	nm	(1.02)	0.11	nm	nm

Core results (1)

Core operating income	310	312	(1)	7	624	654	(5)	4
Core operating margin %	16.6	17.2			17.1	18.2		
Core net income	231	256	(10)	(1)	478	539	(11)	(2)
Core basic earnings per share (\$) (2)	0.47	0.52	(10)	(1)	0.98	1.10	(11)	(2)
Core diluted earnings per share (\$) (3)	0.47	0.52	(10)	(1)	0.98	1.10	(11)	(2)

nm = not meaningful

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

(2) Calculated using 488.2 million shares for both current and prior year periods.

(3) Calculated using 490.0 million and 489.1 million weighted-average diluted shares for the three and six months ended June 30, 2019, respectively, and 488.2 million shares for the prior year periods. Refer to the 'Supplementary Information' section for additional details.

All comments below focus on constant currencies (cc) movements unless otherwise noted.

Net sales by segment

(\$ millions unless indicated otherwise)	Three months ended		Change %		Six months ended		Change %	
	June 30, 2019	June 30, 2018	\$	cc (1)	June 30, 2019	June 30, 2018	\$	cc (1)
Surgical								
Implantables	300	298	1	4	585	577	1	6
Consumables	588	578	2	5	1,139	1,119	2	6
Equipment/other	163	154	6	7	327	311	5	7
Total Surgical	1,051	1,030	2	5	2,051	2,007	2	6
Vision Care								
Contact lenses	493	478	3	6	991	987	—	4
Ocular health	319	311	3	5	598	604	(1)	2
Total Vision Care	812	789	3	6	1,589	1,591	—	3
Net sales to third parties	1,863	1,819	2	5	3,640	3,598	1	5

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

Second Quarter

Surgical

Surgical net sales were \$1.1 billion (+ 2% , + 5% cc). Implantables grew (+1% , +4% cc), driven by strong demand for Advanced Technology IOLs, including the *AcrySof IQ PanOptix trifocal* IOLs, which continue to perform well across all geographies. Consumables grew (+2% , +5% cc) , driven by cataract and vitreoretinal consumables, which continue to benefit from a strong global installed equipment base. Equipment/other grew (+6% , +7% cc), driven by service revenues and cataract equipment and accessories.

Vision Care

Vision Care net sales were \$0.8 billion (+ 3% , + 6% cc). Contact lenses grew (+3% , +6% cc), driven mainly by continued double-digit growth of *DAILES TOTAL1* . Ocular health grew (+3% , +5% cc), driven by artificial tears, primarily *Systane* in the US.

First Half

Surgical

Surgical net sales were \$2.1 billion (+ 2% , + 6% cc). Implantables grew (+1% , +6% cc), driven by Advanced Technology IOLs. Consumables grew (+2% , +6% cc) , driven by cataract and vitreoretinal consumables. Equipment/other grew (+5% , +7% cc), driven by service revenues, cataract equipment and procedural eye drops .

Vision Care

Vision Care net sales were \$1.6 billion (0% , + 3% cc). Contact lenses grew (0% , +4% cc), as continued double digit growth of *DAILES TOTAL1* was partially offset by declines in other contact lenses. Ocular health grew (-1% , +2% cc), driven by *Systane* , partially offset by declines in contact lens care as the market continues to shift to daily lens modalities.

Operating (loss)/income

(\$ millions unless indicated otherwise)	Three months ended		Change %		Six months ended		Change %	
	June 30, 2019	June 30, 2018	\$	cc (1)	June 30, 2019	June 30, 2018	\$	cc (1)
Gross profit	947	878	8	13	1,799	1,745	3	9
Selling, general & administration	(760)	(722)	(5)	(8)	(1,416)	(1,375)	(3)	(6)
Research & development	(167)	(152)	(10)	(11)	(313)	(289)	(8)	(9)
Other income	6	62	(90)	(90)	18	81	(78)	(77)
Other expense	(79)	(28)	nm	nm	(189)	(51)	nm	nm
Operating (loss)/income	(53)	38	nm	nm	(101)	111	nm	nm
Operating margin (%)	(2.8)	2.1			(2.8)	3.1		

Core results (1)

Core gross profit	1,204	1,168	3	7	2,314	2,286	1	6
Core operating income	310	312	(1)	7	624	654	(5)	4
Core operating margin (%)	16.6	17.2			17.1	18.2		

nm = not meaningful

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

Second Quarter

Operating loss was \$53 million, compared to operating income of \$38 million in the prior year period. Higher sales and improved gross margin were more than offset by separation costs and investments in research & development and IT including the SAP implementation. The prior year period also was favorably impacted by a fair value adjustment of a financial asset. There was a negative 1.3 percentage point impact on operating margin from currency.

Adjustments to arrive at core operating income were \$363 million, mainly due to \$258 million of amortization and \$78 million of separation costs.

Core operating income was \$310 million (-1%, +7% cc), compared to \$312 million in the prior year period. Higher sales and improved gross margin were partially offset by investments in research & development and IT including the SAP implementation. There was a negative 0.9 percentage point impact on core operating margin from currency.

First Half

Operating loss was \$101 million, compared to an operating income of \$111 million in the prior year period, primarily due to spin readiness costs, separation costs and investments in research & development and IT including the SAP implementation, partially offset by higher sales and gross margin. The prior year period also was favorably impacted by a fair value adjustment of a financial asset. There was a negative 1.7 percentage point impact on operating margin from currency.

Adjustments to arrive at core operating income were \$725 million, mainly due to \$513 million of amortization, \$72 million of spin readiness costs, \$78 million of separation costs and \$32 million of legal items.

Core operating income was \$624 million (-5%, +4% cc), compared to \$654 million in the prior year period. Higher sales and improved gross margin were partially offset by investments in research & development and IT including the SAP implementation. There was a negative 1.0 percentage point impact on core operating margin from currency.

Segment contribution (1)

(\$ millions unless indicated otherwise)	Three months ended		Change %		Six months ended		Change %	
	June 30, 2019	June 30, 2018	\$	cc (2)	June 30, 2019	June 30, 2018	\$	cc (2)
Surgical segment contribution	217	219	(1)	6	440	422	4	13
As % of net sales	20.6	21.3			21.5	21.0		
Vision Care segment contribution	135	131	3	10	282	314	(10)	(4)
As % of net sales	16.6	16.6			17.7	19.7		
Not allocated to segments	(405)	(312)	(30)	(30)	(823)	(625)	(32)	(32)
Operating (loss)/income	(53)	38	nm	nm	(101)	111	nm	nm

Core results (2)

Core Surgical segment contribution	235	237	(1)	6	463	453	2	11
As % of net sales	22.4	23.0			22.6	22.6		
Core Vision Care segment contribution	143	131	9	17	301	314	(4)	2
As % of net sales	17.6	16.6			18.9	19.7		
Core not allocated to segments	(68)	(56)	(21)	(25)	(140)	(113)	(24)	(25)
Core operating income	310	312	(1)	7	624	654	(5)	4

(1) For additional information regarding segment contribution please refer to Note 4 to the Condensed Consolidated Interim Financial Statements.

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

Second Quarter

Surgical

Surgical segment contribution was \$217 million (-1% , +6% cc), compared to \$219 million in the prior year period. Higher sales and improved gross margin were partially offset by higher research & development investments.

Adjustments to arrive at core Surgical segment contribution were \$18 million , primarily for business development charges, in line with the prior year period.

Core Surgical segment contribution was \$235 million (-1% , +6% cc), compared to \$237 million in the prior year period. Higher sales and improved gross margin were partially offset by higher research & development investments. There was a negative 0.8 percentage point impact on core segment contribution margin from currency.

Vision Care

Vision Care segment contribution was \$135 million (+3% , +10% cc), compared to \$131 million in the prior year period. Higher sales, improved gross margin and improved selling, general & administration sales leverage were partially offset by higher research & development investments.

Adjustments to arrive at core Vision Care segment contribution were \$8 million primarily due to separation costs. No adjustments were made to arrive at core results for the prior year period.

Core Vision Care segment contribution was \$143 million (+9% , +17% cc), compared to \$131 million in the prior year period. Higher sales, improved gross margin and improved selling, general & administration sales leverage were partially offset by higher research & development investments. There was a negative 0.6 percentage point impact on core segment contribution margin from currency.

Not allocated to segments

Operating loss not allocated to segments totaled \$405 million , compared to \$312 million in the prior year period, increasing primarily due to \$70 million of separation costs and higher corporate costs, consisting primarily of IT costs. The prior year period also was favorably impacted by a fair value adjustment of a financial asset.

Core operating income not allocated to segments amounted to a net core expense of \$68 million , compared with a net core expense of \$56 million in the prior year period due to higher corporate costs, consisting primarily of IT costs.

First Half

Surgical

Surgical segment contribution was \$440 million (+4% , +13% cc), compared to \$422 million in the prior year period. Higher sales and improved gross margin were partially offset by higher research & development investments.

Adjustments to arrive at core Surgical segment contribution were \$23 million , primarily due to business development charges, compared to \$31 million in the prior year period.

Core Surgical segment contribution was \$463 million (+2% , +11% cc), compared to \$453 million in the prior year period. Higher sales and improved gross margin were partially offset by research & development investments. There was a negative 1.0 percentage point of impact on core segment contribution margin from currency.

Vision Care

Vision Care segment contribution was \$282 million (-10% , -4% cc), compared to \$314 million in the prior year period. Higher sales were more than offset by lower gross margin, spin readiness costs, separation costs and higher research & development investments.

Adjustments to arrive at core Vision Care segment contribution were \$19 million due to spin readiness and separation costs. No adjustments were made to arrive at core results for the prior year period.

Core Vision Care segment contribution was \$301 million (-4% , +2% cc), compared to \$314 million in the prior year period. Higher sales and improved selling, general & administration sales leverage were partially offset by higher research & development investments. There was a negative 0.6 percentage point impact on core segment contribution margin from currency.

Not allocated to segments

Operating loss not allocated to segments totaled \$823 million , compared to \$625 million in the prior year period, increasing mainly due to \$70 million of separation costs, \$62 million of spin readiness costs and higher corporate costs, consisting primarily of legal items and IT costs. The prior year period also was favorably impacted by a fair value adjustment of a financial asset.

Core operating income not allocated to segments amounted to net core expense of \$140 million , compared to \$113 million in the prior year period, driven by higher corporate costs, consisting primarily of IT costs.

Non-operating income and expense

(\$ millions unless indicated otherwise)	Three months ended		Change %		Six months ended		Change %	
	June 30, 2019	June 30, 2018	\$	cc (1)	June 30, 2019	June 30, 2018	\$	cc (1)
Operating (loss)/income	(53)	38	nm	nm	(101)	111	nm	nm
Interest expense	(35)	(6)	nm	nm	(44)	(12)	nm	nm
Other financial income & expense	(8)	(8)	—	(2)	(16)	(14)	(14)	(11)
(Loss)/income before taxes	(96)	24	nm	nm	(161)	85	nm	nm
Taxes	(294)	(9)	nm	nm	(338)	(32)	nm	nm
Net (loss)/income	(390)	15	nm	nm	(499)	53	nm	nm
Basic and diluted (loss)/earnings per share (\$)	(0.80)	0.03	nm	nm	(1.02)	0.11	nm	nm

Core results (1)

Core taxes	(36)	(42)	14	10	(86)	(89)	3	(6)
Core net income	231	256	(10)	(1)	478	539	(11)	(2)
Core basic earnings per share (\$)	0.47	0.52	(10)	(1)	0.98	1.10	(11)	(2)
Core diluted earnings per share (\$)	0.47	0.52	(10)	(1)	0.98	1.10	(11)	(2)

nm = not meaningful

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

Second Quarter

Interest expense

Interest expense was \$35 million, compared with \$6 million in the prior year period. Interest expense recognized in the current period is driven by the bridge and other term loans, local bilateral facilities and the adoption of IFRS 16, *Leases*.

Other financial income & expense

Other financial income & expense was a net expense of \$8 million, consisting primarily of hedging costs and foreign currency exchange gains and losses, comparable with the prior year period.

Taxes

Tax expense was \$294 million, compared with \$9 million in the prior year period. Taxes recognized in the current period include a non-cash tax expense of \$301 million related to the re-measurement of deferred tax assets and liabilities as a result of Swiss tax reform, changes in uncertain tax positions and other items.

Adjustments to arrive at core tax expense were \$258 million, primarily related to Swiss tax reform, partially offset by tax associated with operating income core adjustments.

Core tax expense was \$36 million, compared to \$42 million in the prior year period. The average core tax rate was 13.5% compared to 14.1% in the prior year period, primarily driven by the mix of pre-tax income across geographical tax jurisdictions.

Net (loss)/income and (loss)/earnings per share

Net loss was \$390 million, compared to net income of \$15 million in the prior year period. The decrease was mainly attributable to an operating loss, higher interest expense and higher tax expense. The associated basic and diluted (loss)/earnings per share were \$(0.80), compared to \$0.03 in the prior year period.

Core net income was \$231 million, compared to \$256 million in the prior year period, due primarily to higher interest expense. The associated core basic and diluted earnings per share were \$0.47 compared to \$0.52 in the prior year period.

First Half

Interest expense

Interest expense was \$44 million , compared with \$12 million in the prior year period, driven by the bridge and other term loans, local bilateral facilities and the adoption of IFRS 16, *Leases* .

Other financial income & expense

Other financial income & expense was a net expense of \$16 million , compared to \$14 million in the prior year period, and consisted primarily of hedging costs and foreign currency exchange gains and losses.

Taxes

Tax expense was \$338 million , compared with \$32 million in the prior year period. Taxes recognized in the current period include a \$301 million non-cash tax expense for Swiss tax reform and a \$68 million non-cash tax expense primarily for re-measurement of deferred tax balances related to rate changes in the US following the Spin-Off, offset by net changes in uncertain tax positions.

Adjustments to arrive at core tax expense were \$252 million , primarily related to Swiss tax reform, partially offset by tax associated with operating income core adjustments.

Core tax expense was \$86 million , compared to \$89 million in the prior year period. The average core tax rate increased to 15.2% from 14.2% in the prior year period. The increase in the core effective tax rate is primarily driven by a loss of certain tax benefits in the US due to the Spin-Off and the mix of pre-tax income across geographical tax jurisdictions.

Net (loss)/income and (loss)/earnings per share

Net loss was \$499 million , compared to net income of \$53 million in the prior year period. The decrease was mainly attributable to an operating loss, higher interest expense and higher tax expense. The associated basic and diluted (loss)/earnings per share were \$(1.02) , compared to \$0.11 in the prior year period.

Core net income was \$478 million , compared to \$539 million in the prior year period, primarily due to lower core operating income and higher interest expense. The associated core basic and diluted earnings per share were \$0.98 compared to \$1.10 in the prior year period.

Cash flow

Net cash flows from operating activities amounted to \$301 million in the first half of 2019 , compared to \$555 million in the prior year period primarily attributable to changes in net working capital, a legal settlement, and interest payments on the Company's financial debts. Changes in net working capital were primarily driven by contract manufacturing receivables from former parent, which are included within Other current assets. Trade receivables had a larger increase than the prior year period, in line with increased sales. Trade payables increased during the current reporting period due to spin readiness and separation costs incurred. Refer to Note 9 of the Condensed Consolidated Interim Financial Statements for additional details regarding changes within net working capital.

Net cash flows used in investing activities amounted to \$558 million in the first half of 2019 , compared to \$275 million in the prior year period, primarily due to the acquisition of PowerVision in March 2019. Refer to Note 3 of the Condensed Consolidated Interim Financial Statements for additional information.

Net cash flows from financing activities amounted to \$747 million in the first half of 2019 , compared to \$298 million of net cash outflows in the prior year period. Cash inflows in the current period were attributable to proceeds from the issuance of non-current and current financial debts totaling \$3.5 billion associated with borrowings from the bridge and other term loans and local bilateral facilities, partially offset by movements of financing provided to the Company's former parent, which increased by \$2.4 billion from the prior year period, due to \$3.1 billion in cash payments made to the Company's former parent and its affiliates prior to the Spin-Off. Refer to Note 8 of the Condensed Consolidated Interim Financial Statements for additional information.

Free cash flow (non-IFRS measure)

Free cash flow amounted to \$95 million in the first half of 2019 , compared to \$376 million in the prior year period, with the decrease mainly caused by lower cash flows from operating activities due to spin readiness and separation costs, interest payments associated with financial debts, and a legal settlement.

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

Balance sheet

Assets

Total non-current assets of \$23.6 billion as of June 30, 2019 remained stable compared to December 31, 2018 . There was a decrease of \$332 million in Deferred tax assets due to offsetting deferred tax liabilities within the same tax jurisdiction which was largely offset by increases of \$187 million in Right-of-use assets from the implementation of IFRS 16, *Leases* as described in Note 7 to the Condensed Consolidated Interim Financial Statements, \$87 million in Property, plant & equipment due to continued capital expenditures net of recurring depreciation, and \$46 million in Goodwill and other intangible assets due to the PowerVision acquisition net of recurring amortization.

Total current assets of \$4.1 billion as of June 30, 2019 , increased \$743 million compared to December 31, 2018 , mainly due to increases in Cash and cash equivalents of \$494 million attributable to borrowings from the bridge and other term loans and local bilateral facilities as described in Note 8 to the Condensed Consolidated Interim Financial Statements offset by payments to former parent, Trade receivables of \$1.4 billion increased \$154 million and Other current assets of \$0.5 billion increased \$104 million .

Liabilities

Total non-current liabilities increased \$2.0 billion to \$4.5 billion as of June 30, 2019 , compared to \$2.5 billion as of December 31, 2018 , primarily due to third party financial debts of \$1.8 billion . The reduction in deferred tax liabilities was due to the net of the re-measurement of deferred tax liabilities associated with the Swiss tax reform and deferred tax assets offsetting deferred tax liabilities within the same tax jurisdiction, as discussed above. Provisions and other non-current liabilities and Lease liabilities also increased \$212 million and \$131 million , respectively, primarily due to a contingent consideration liability recorded for the PowerVision acquisition and implementation of IFRS 16, *Leases* , respectively. Refer to Notes 3, 7 and 8 to the Condensed Consolidated Interim Financial Statements for additional details related to the PowerVision acquisition, IFRS 16 adoption and financial debts.

Total current liabilities increased \$1.9 billion to \$3.8 billion as of June 30, 2019 , compared to \$1.9 billion as of December 31, 2018 , primarily due to increases in financial debts of \$1.7 billion , Trade payables of \$218 million due to various transition agreements and higher spend for spin readiness and separation, and Current income tax liabilities of \$125 million due the timing of tax payments, partially offset by a decrease in Provisions and other current liabilities of \$43 million attributable primarily to payments for annual short-term incentive compensation and a legal settlement. Refer to Note 8 to the Condensed Consolidated Interim Financial Statements for additional details related to financial debts.

Equity

Equity decreased \$3.2 billion to \$19.5 billion as of June 30, 2019 , compared to Invested capital of \$22.6 billion as of December 31, 2018 . The decrease was primarily attributable to \$3.1 billion paid to Novartis and its affiliates immediately prior to the Spin-Off, as described in Note 3 to the Condensed Consolidated Interim Financial Statements.

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

Net debt increased to \$2.8 billion as of June 30, 2019 compared to net liquidity of \$152 million as of December 31, 2018 . Alcon's liquidity amounted to \$722 million as of June 30, 2019 compared to \$227 million as of December 31, 2018 , while total financial debt increased to \$3.5 billion as of June 30, 2019 , compared to \$75 million as of December 31, 2018 .

The increase in financial debts is attributable to \$3.2 billion in borrowings against bridge and other term loans and \$0.3 billion in local bilateral facilities. Refer to Notes 3 and 8 to the Condensed Consolidated Interim Financial Statements for additional information.

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

ALCON INC. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS (unaudited)

(\$ millions except (loss)/earnings per share)	Note	Three months ended		Six months ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net sales to third parties	4	1,863	1,819	3,640	3,598
Sales to former parent	4	—	1	—	2
Other revenues	4	40	—	87	—
Net sales and other revenues		1,903	1,820	3,727	3,600
Cost of net sales		(922)	(942)	(1,847)	(1,855)
Cost of other revenues		(34)	—	(81)	—
Gross profit		947	878	1,799	1,745
Selling, general & administration		(760)	(722)	(1,416)	(1,375)
Research & development		(167)	(152)	(313)	(289)
Other income		6	62	18	81
Other expense		(79)	(28)	(189)	(51)
Operating (loss)/income		(53)	38	(101)	111
Interest expense		(35)	(6)	(44)	(12)
Other financial income & expense		(8)	(8)	(16)	(14)
(Loss)/income before taxes		(96)	24	(161)	85
Taxes	5	(294)	(9)	(338)	(32)
Net (loss)/income		(390)	15	(499)	53

(Loss)/earnings per share					
Basic	6	(0.80)	0.03	(1.02)	0.11
Diluted	6	(0.80)	0.03	(1.02)	0.11

Weighted average number of shares outstanding (millions) ⁽¹⁾					
Basic	6	488.2	488.2	488.2	488.2
Diluted	6	488.2	488.2	488.2	488.2

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME (unaudited)

(\$ millions)	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net (loss)/income	(390)	15	(499)	53
<i>Other comprehensive income to be eventually recycled into the consolidated income statement:</i>				
Currency translation effects	5	(88)	1	(40)
Total of items to eventually recycle	5	(88)	1	(40)
<i>Other comprehensive income never to be recycled into the consolidated income statement:</i>				
Actuarial (losses)/gains from defined benefit plans, net of taxes ⁽¹⁾	—	16	(7)	33
Fair value adjustments on equity securities, net of taxes ⁽²⁾	—	—	(2)	—
Total of items never to be recycled	—	16	(9)	33
Total comprehensive (loss)/income	(385)	(57)	(507)	46

(1) Tax expense of \$1 million and \$5 million was recorded in the three months ended June 30, 2019 and 2018, respectively. Tax expense of \$2 million and \$10 million was recorded in the six months ended June 30, 2019 and 2018, respectively.

(2) Tax benefits of \$5 million were recorded for the six months ended June 30, 2019. No taxes were recorded for the three months ended June 30, 2019 and 2018 or six months ended June 30, 2018.

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

CONSOLIDATED BALANCE SHEETS (unaudited)

(\$ millions)	Note	June 30, 2019	December 31, 2018
Assets			
Non-current assets			
Property, plant & equipment (1)		2,887	2,800
Right-of-use assets (1)	7	266	79
Goodwill	4	8,905	8,899
Intangible assets other than goodwill	4	10,719	10,679
Deferred tax assets		338	670
Financial assets	8	357	388
Other non-current assets		160	148
Total non-current assets		23,632	23,663
Current assets			
Inventories		1,489	1,440
Trade receivables		1,407	1,253
Receivables from former parent	11	—	20
Income tax receivables		34	33
Other financial receivables from former parent	11	—	39
Cash and cash equivalents		721	227
Other current assets		491	387
Total current assets		4,142	3,399
Total assets		27,774	27,062
Equity and liabilities			
Equity			
Invested capital		—	22,639
Share capital		20	—
Reserves		19,432	—
Total equity		19,452	22,639
Liabilities			
Non-current liabilities			
Financial debts (1)	8	1,751	—
Lease liabilities (1)	7	220	89
Deferred tax liabilities		1,408	1,528
Provisions & other non-current liabilities		1,125	913
Total non-current liabilities		4,504	2,530
Current liabilities			
Trade payables		881	663
Payables to former parent	11	—	85
Financial debts	8	1,771	47
Lease liabilities	7	53	—
Other financial liabilities to former parent	11	—	67
Current income tax liabilities		276	151
Provisions & other current liabilities		837	880
Total current liabilities		3,818	1,893
Total liabilities		8,322	4,423
Total equity and liabilities		27,774	27,062

(1) Alcon adopted IFRS 16, *Leases* as of January 1, 2019 using the modified retrospective approach as described in Notes 2 and 7 to these Condensed Consolidated Interim Financial Statements. Under the modified retrospective approach, comparative information was not restated. However, the December 31, 2018 balances previously reported for a finance lease liability and corresponding asset of \$89 million and \$79 million, respectively, have been reclassified from "Non-current financial debts" and "Property, Plant, & Equipment" to "Non-current lease liabilities" and "Right-of-use assets," respectively, to enhance the inter-period comparability of information presented.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

Six months ended June 30, 2019

(\$ millions)	Share Capital	Other Reserves	Former parent net investment (1)	Fair value adjustments on marketable securities	Fair value adjustments on equity securities	Actuarial losses/gains from defined benefit plans	Cumulative currency translation effects	Total value adjustments (2)	Equity (1)
Balance as of January 1	—	—	22,650	—	(23)	(17)	29	(11)	22,639
Net loss		(390)	(109)					—	(499)
Other comprehensive loss				—	(2)	(7)	1	(8)	(8)
Total comprehensive loss	—	(390)	(109)	—	(2)	(7)	1	(8)	(507)
Movements of financing provided to former parent, net			(2,658)					—	(2,658)
Other transactions with former parent			(46)					—	(46)
Reclassification of deferred equity-compensation			(7)					—	(7)
Distribution by former parent of share capital	20	19,812	(19,832)					—	—
Equity-based compensation		28						—	28
Other movements (3)		1	2					—	3
Total Other movements	20	19,841	(22,541)	—	—	—	—	—	(2,680)
Balance as of June 30	20	19,451	—	—	(25)	(24)	30	(19)	19,452

(1) "Former parent net investment" and "Equity" were previously presented as "Retained earnings" and "Invested capital", respectively, in the Form 20-F and were renamed upon the execution of the Spin-Off.

(2) "Total value adjustments" recorded through Comprehensive Income are presented net of the corresponding tax effects.

(3) Activity relates to hyperinflationary accounting.

Six months ended June 30, 2018

(\$ millions)	Share Capital	Other Reserves	Former parent net investment (1)	Fair value adjustments on marketable securities	Fair value adjustments on equity securities	Actuarial losses/gains from defined benefit plans	Cumulative currency translation effects	Total value adjustments (2)	Equity (1)
Balance as of January 1, as previously reported	—	—	22,942	25		(25)	87	87	23,029
Impact of change in accounting policies (3)			25	(25)				(25)	—
Restated balance as of January 1			22,967	—	—	(25)	87	62	23,029
Net income	—	—	53					—	53
Other comprehensive loss				—	—	33	(40)	(7)	(7)
Total comprehensive income	—	—	53	—	—	33	(40)	(7)	46
Movements of financing provided to former parent, net			(288)					—	(288)
Other transactions with former parent			(59)					—	(59)
Other movements (4)			—					—	—
Total Other movements	—	—	(347)	—	—	—	—	—	(347)
Balance as of June 30	—	—	22,673	—	—	8	47	55	22,728

(1) "Former parent net investment" and "Equity" were previously presented as "Retained earnings" and "Invested capital", respectively, in the Form 20-F and were renamed upon the execution of the Spin-Off.

(2) "Total value adjustments" recorded through Comprehensive Income are presented net of the corresponding tax effects.

(3) The impact of change in accounting policies includes \$25 million relating to IFRS 9 implementation and nil relating to IFRS 15 implementation (see Notes 3 and 25 to the Combined Financial Statements in the Form 20-F).

(4) Activity relates to hyperinflationary accounting.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(\$ millions)	Note	Six months ended	
		June 30, 2019	June 30, 2018
Net income/(loss)		(499)	53
<i>Adjustments to reconcile net income/(loss) to net cash flows from operating activities</i>			
Depreciation, amortization, impairments and fair value adjustments	9.1	709	615
Equity-based compensation expense		28	—
Non-cash change in provisions and other non-current liabilities		15	25
Losses on disposal and other adjustments on property, plant & equipment and other non-current assets, net		4	—
Interest expense		44	12
Other financial income and expense		16	14
Taxes		338	32
Interest received		1	—
Interest paid		(28)	(4)
Other financial payments		(13)	(14)
Taxes paid		(64)	(67)
Net cash flows before working capital changes and net payments out of provisions and other non-current liabilities		551	666
Net payments out of provisions and other cash movements in non-current liabilities		(68)	(54)
Change in net current assets and other operating cash flow items	9.2	(182)	(57)
Net cash flows from operating activities		301	555
Purchase of property, plant & equipment		(206)	(179)
Purchase of intangible assets		(55)	(86)
Purchase of financial assets		(15)	(16)
Proceeds from sales of financial assets		1	6
Acquisition of business, net		(283)	—
Net cash flows used in investing activities		(558)	(275)
Movements of financing provided to former parent, net		(2,658)	(288)
Proceeds from non-current financial debts, net of issuance costs		1,745	—
Proceeds from current financial debts, net of issuance costs		1,709	—
Lease payments		(22)	—
Change in other financial receivables from former parent		39	(11)
Change in other financial liabilities to former parent		(67)	2
Other financing cash flows		1	(1)
Net cash flows provided by/(used in) financing activities		747	(298)
Effect of exchange rate changes on cash and cash equivalents		4	(3)
Net change in cash and cash equivalents		494	(21)
Cash and cash equivalents at January 1		227	172
Cash and cash equivalents at June 30		721	151

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX -MONTH PERIOD ENDED JUNE 30, 2019 (unaudited)

1 . Basis of preparation

On February 28, 2019, Novartis AG ("Novartis" or "Former Parent") shareholders at their Annual General Meeting approved the proposed 100% spin-off of Alcon Inc. ("Alcon" or "the Company") through the distribution of a dividend-in-kind of new Alcon shares to Novartis shareholders and Novartis American Depositary Receipt ("ADR") holders (the "Spin-Off"), subject to completion of certain conditions precedent to the distribution. Amendment No. 6 to Alcon's Registration Statement on Form 20-F filed with the Securities and Exchange Commission ("SEC") on March 22, 2019, ("Form 20-F"), was declared effective by the SEC on that same day. On April 9, 2019 (the "Distribution Date"), Alcon became an independent, publicly-traded company as a result of the Spin-Off and the shares of Alcon are listed on the SIX Swiss Stock Exchange ("SIX") and on the New York Stock Exchange ("NYSE") under the symbol "ALC". Each Novartis shareholder of record as of April 8, 2019 and each holder of Novartis' ADR of record as of April 1, 2019 received one share of Alcon common stock for every five shares of Novartis common stock or Novartis ADR held.

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and the basis of preparation as described in this Note 1 and with the accounting policies as described in Note 3 of the December 31, 2018 Combined Financial Statements in the Company's Form 20-F, except for the changes to the accounting policy related to Leases which was updated as of January 1, 2019, due to the adoption of the new International Financial Reporting Standard ("IFRS") standard IFRS 16, *Leases*. The updated accounting policy is disclosed in Note 2 to these Condensed Consolidated Interim Financial Statements.

These Condensed Consolidated Interim Financial Statements do not include all of the information required for a complete set of IFRS financial statements. The financial information consolidates the Company and the subsidiaries it controls, and includes selected notes to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual combined financial statements. Therefore the Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual combined financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

The accompanying Condensed Consolidated Interim Financial Statements present our historical financial position, results of operations, comprehensive income/(loss), and cash flows in accordance with IFRS. The combined financial statements for periods prior to the Spin-Off were derived from Novartis' consolidated financial statements and accounting records and prepared in accordance with IFRS for the preparation of carved-out combined financial statements. Through the date of the Spin-Off, all revenues and costs as well as assets and liabilities directly associated with Alcon have been included in the combined financial statements. Prior to the Spin-Off, the combined financial statements also included allocations of certain expenses for services provided by Novartis to Alcon and allocations of related assets, liabilities, and the Former Parent's invested capital, as applicable. The allocations were determined on a reasonable basis; however, the amounts are not necessarily representative of the amounts that would have been reflected in the financial statements had the Company been an entity that operated independently of Novartis during the applicable periods.

Agreements entered into between Alcon and Novartis in connection with the Spin-Off govern the relationship between the parties following the Spin-Off and provide for the allocation of various assets, liabilities, rights and obligations. These agreements also include arrangements for transition services to be provided on a temporary basis between the parties.

Following the Spin-Off, the consolidated financial statements include the accounts of the Company and its subsidiaries and no longer include any allocations from Novartis.

2 . Selected accounting policies

The Company's principal accounting policies are set out in Note 3 to the Combined Financial Statements in the Form 20-F and conform with IFRS as issued by the IASB. The presentation of financial statements requires management to make subjective and complex judgments that affect the reported amounts. Because of the inherent uncertainties, actual outcomes and results may differ from management's assumptions and estimates.

As discussed in Note 3 to the Combined Financial Statements in the Form 20-F, Goodwill, the Alcon brand name and acquired In-process research & development projects are reviewed for impairment at least annually and these, as well as all other investments in intangible assets, are reviewed for impairment whenever an event or decision occurs that raises concern about their balance sheet carrying value. Goodwill and other intangible assets represent a significant amount of total assets on the Company's consolidated balance sheets. Impairment testing may lead to potentially significant impairment charges in the future which could have a materially adverse impact on the Company's results of operations and financial condition.

Financial assets

The "Financial assets" portion of the accounting policy was expanded in 2019 to include derivative instruments, as follows:

Derivative financial instruments are initially recognized in the balance sheet at fair value and are remeasured to their current fair value at the end of each subsequent reporting period. The valuation of forward exchange rate contracts and foreign exchange swaps are based on the discounted cash flow model, using interest curves and spot rates at the reporting date as observable inputs. Unsettled forward contracts and swaps are measured at fair value at month-end with changes in fair value recorded to the income statement as unrealized gains or losses in "Other financial income & expense". Settled forward contracts and swaps are measured at maturity date at fair value with corresponding realized gains or losses recognized in the income statement in "Other financial income & expense". No hedge accounting is applied for these arrangements.

Other revenues

The "Other revenues" portion of the "Revenue recognition" accounting policy was expanded in 2019 to include accounting for the Company's contract manufacturing arrangement with Novartis, as follows:

"Other revenues" mainly include revenue from contract manufacturing services provided to the Company's former parent which are recognized over time as the service obligations are completed. Associated costs incurred are recognized in "Cost of other revenues".

Earnings (loss) per share

"Basic earnings (loss) per share" is based on the weighted average number of common shares outstanding. "Diluted earnings (loss) per share" is based on the weighted average number of common shares outstanding and all dilutive potential common shares outstanding.

IFRS 16, *Leases* effective as of January 1, 2019

Effective January 1, 2019, Alcon implemented IFRS 16, *Leases*, which provides a new model for lessee accounting in which substantially all leases are now recognized on the balance sheet as right-of-use assets with corresponding lease liabilities. The standard replaces IAS 17, *Leases*. Right-of-use assets are recognized based on the amount of the lease liability adjusted for payments made before the lease commencement date, lease incentives and other items related to the lease agreements. Lease liabilities are recognized based on the net present value of remaining lease payments. The Company has applied the practical expedients discussed in Note 7 of these Condensed Consolidated Interim Financial Statements in the adoption of the standard.

Upon adoption of the new standard, a portion of the annual operating lease costs previously fully recognized as a functional expense is recorded as interest expense. In addition, the portion of the lease payments representing a reduction of the lease liability is recognized in the cash flow statement as an outflow from financing activities, which was previously fully recognized as an outflow from operating activities for operating leases. These effects of the adoption and impacts on the income statements and statements of cash flows are further discussed in Note 7 of these Condensed Consolidated Interim Financial Statements.

IFRS 16 substantially carries forward the lessor accounting requirements under IAS 17 such that adoption of the standard did not have a significant impact upon the Company's accounting for surgical equipment leases where

the Company is the lessor and for which the Company's accounting policy is included in the "Revenue recognition" accounting policy in Note 3 to the Combined Financial Statements in the Form 20-F.

The Company has updated the following accounting policy, effective January 1, 2019, as a result of the adoption of the new standard:

Leases

As lessee, the Company assesses whether a contract contains a lease at inception of a contract based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a corresponding lease liability for all arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases for which Alcon has elected the recognition exemptions allowed under IFRS 16.

Right-of-use assets

"Right-of-use assets" are initially recognized at cost, which is comprised of the amount of the initial measurement of the corresponding lease liabilities, adjusted for any lease payments made at or prior to the commencement date of the lease, lease incentives received and initial direct costs incurred, as well as any expected costs for obligations to dismantle and remove Right-of-use assets when they are no longer used.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are assessed for impairment whenever there is an indication that the balance sheet carrying amount may not be recoverable using cash flow projections for the useful life.

Lease liabilities

"Lease liabilities" are accounted for at amortized cost and are initially measured at the present value of future lease payments and are classified as current or non-current based on the due dates of the underlying principal payments. In determining the lease term, the Company evaluates the renewal options and termination options reasonably certain to be exercised. Lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, the incremental borrowing rate Alcon would be expected to pay within the respective markets, on a borrowing with a similar term and security. Interest in the period is recorded within "interest expense" in the Company's consolidated income statements.

Lease liabilities are remeasured for changes in estimated lease term, future lease payments arising from a change in an index or rate, amounts expected to be payable under a residual value guarantee, or in assessment of whether the Company will exercise a purchase, extension or termination option. Changes to initial lease contract terms are assessed to determine their impact on the scope of lease, and any modifications increasing the scope of the lease are treated as new contracts under the initial measurement principles, while modifications that do not increase or that decrease the scope of the lease result in an adjustment to the Right-of-use asset which is remeasured as of the date of the modification.

Principal payments made on Lease liabilities and any initial direct costs paid are classified as financing cash outflows, while interest payments are classified as operating cash outflows.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated income statement and are classified as cash flows from operating activities. Short-term leases are leases with a lease term of twelve months in duration or less.

3 . Significant transactions

Significant transactions in the six months ended June 30, 2019

Completion of Spin-Off from Novartis through a dividend in kind distribution to Novartis shareholders

The Spin-Off was executed on April 9, 2019 as described in Note 1. The below transactions occurred in April 2019, immediately preceding the Spin-Off.

On April 2, 2019, Alcon borrowed \$3.2 billion against the bridge and other term loans which were executed on March 6, 2019 and are described in the Form 20-F and Note 8 of these Condensed Consolidated Interim Financial Statements. These borrowings increased the Company's third party financial debts to \$3.5 billion . Through a series of intercompany transactions, Alcon legal entities then paid approximately \$3.1 billion in cash to Novartis and its affiliates prior to the Spin-Off, decreasing Alcon's net assets to approximately \$20.0 billion at the date of Spin-Off.

Surgical-Acquisition of PowerVision, Inc.

On March 13, 2019, Alcon acquired 100% of the outstanding shares and equity of PowerVision, Inc. ("PowerVision"), a privately-held, US-based company focused on developing accommodative, implantable intraocular lenses. This technology allows the intraocular lens to respond to natural muscular movements in the eye to alter shape and focus. The PowerVision acquisition was executed as part of Alcon's commitment to innovation in advanced technology intraocular lenses ("AT-IOLs").

The fair value of the total purchase consideration was \$424 million . This amount consisted of an initial cash payment of \$289 million and the fair value of the probability weighted contingent consideration of \$135 million due to PowerVision shareholders, which they are eligible to receive upon the achievement of specified regulatory and commercialization milestones. The preliminary purchase price allocation resulted in net identifiable assets of \$418 million , which consisted of In-process research & development intangible assets of \$505 million , a net deferred tax liability of \$93 million , other net assets of \$6 million . Goodwill of \$6 million was also recognized which is attributable to the assembled workforce. Cash paid for the acquisition, net of cash acquired, was \$283 million . The 2019 results of operations since the date of acquisition and transaction costs for the acquisition were not material.

Significant transactions in 2018

Surgical-Acquisition of TrueVision Systems, Inc.

On December 19, 2018, Alcon acquired 100% of the outstanding shares and equity of TrueVision Systems, Inc. ("TrueVision"), a privately held US based company. TrueVision developed the 3D scope technology currently used in the commercially marketed Alcon product *NGENUITY* . This technology allows retina surgery specialists to have a 3D visualization of the back of the eye with greater depth and detail than traditional microscopes.

The fair value of the total purchase consideration amounted to \$146 million . This amount consists of an initial cash payment of \$110 million and the fair value of the probability weighted contingent consideration of \$36 million due to TrueVision shareholders, which they are eligible to receive upon the achievement of specified development and commercialization milestones. The purchase price allocation resulted in net identifiable assets of \$144 million , which consisted of intangible assets of \$172 million , net deferred tax liability of \$29 million and other net assets of \$1 million . Goodwill of \$2 million was also recognized which is attributable to the assembled workforce. The 2018 results of operations following the date of acquisition were not material.

Vision Care-Acquisition of Tear Film Innovations, Inc.

On December 17, 2018, Alcon acquired 100% of the outstanding shares and equity of Tear Film Innovations, Inc. ("Tear Film"), a privately held US based company. Tear Film is the manufacturer of the iLux® Device, an innovative therapeutic device used to treat Meibomian Gland Dysfunction, a leading cause of dry eye. The fair value of the total purchase consideration amounted to \$145 million . This amount consists of an initial cash payment of \$79 million and the fair value of the probability weighted contingent consideration of \$66 million due to Tear Film previous owners, which they are eligible to receive upon the achievement of specified development and commercialization milestones. The purchase price allocation resulted in net identifiable assets of \$143 million , which consisted of intangible assets of \$174 million , net deferred tax liability of \$37 million , cash of \$5 million and other net assets of \$1 million . Goodwill of \$2 million was also recognized which is attributable to the assembled workforce. The 2018 results of operations following the date of acquisition were not material.

4 . Segmentation of key figures

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

The businesses of Alcon are divided operationally on a worldwide basis into two identified reporting segments, Surgical and Vision Care. As indicated below, certain income and expenses are not allocated to segments.

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

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

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

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

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

The basis of preparation described in Note 1, and the selected accounting policies mentioned in Note 2 of these Condensed Consolidated Interim Financial Statements, are used in the reporting of segment results.

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

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

Segment contribution excludes amortization and impairment costs for acquired product rights or other intangibles, general and administrative expenses for corporate activities, and certain other income and expense items.

General & administration (corporate) includes the costs of the Alcon corporate headquarters, including all related corporate function costs. For the historical comparative period only, the related corporate function costs were allocated to Alcon from its former parent.

Other expense, net of other income, includes other items of income and expense such as separation costs, restructuring costs and legal settlements that are not attributable to a specific segment.

Segmentation - Consolidated income statements

Three months ended June 30, 2019 and 2018

(\$ millions)	Surgical		Vision Care		Company	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net sales to third parties	1,051	1,030	812	789	1,863	1,819
Sales to former parent	—	1	—	—	—	1
Other revenues	—	—	40	—	40	—
Net sales and other revenue	1,051	1,031	852	789	1,903	1,820
Segment contribution	217	219	135	131	352	350
Amortization of intangible assets					(270)	(258)
Impairment charges on intangible assets					—	(39)
General & administration (corporate)					(62)	(49)
Other (expense)/income, net					(73)	34
Operating (loss)/income					(53)	38
Interest expense					(35)	(6)
Other financial income & expense					(8)	(8)
(Loss)/Income before taxes					(96)	24

Six months ended June 30, 2019 and 2018

(\$ millions)	Surgical		Vision Care		Company	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net sales to third parties	2,051	2,007	1,589	1,591	3,640	3,598
Sales to former parent	—	2	—	—	—	2
Other revenues	—	—	87	—	87	—
Net sales and other revenues	2,051	2,009	1,676	1,591	3,727	3,600
Segment contribution	440	422	282	314	722	736
Amortization of intangible assets					(536)	(516)
Impairment charges on intangible assets					—	(39)
General & administration (corporate)					(116)	(100)
Other (expense)/income, net					(171)	30
Operating (loss)/income					(101)	111
Interest expense					(44)	(12)
Other financial income & expense					(16)	(14)
(Loss)/Income before taxes					(161)	85

Segmentation - Additional balance sheet disclosure

(\$ millions)	Surgical		Vision Care		Not allocated ⁽¹⁾		Total	
	Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018
Goodwill	4,544	4,538	4,361	4,361	—	—	8,905	8,899
Intangible assets other than goodwill	6,181	6,053	1,558	1,646	2,980	2,980	10,719	10,679

(1) Alcon brand name.

Net sales by segment

(\$ millions)	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Implantables	300	298	585	577
Consumables	588	578	1,139	1,119
Equipment/other	163	154	327	311
Total Surgical	1,051	1,030	2,051	2,007
Contact lenses	493	478	991	987
Ocular health	319	311	598	604
Total Vision Care	812	789	1,589	1,591
Net sales to third parties	1,863	1,819	3,640	3,598

Net sales by region ⁽¹⁾

(\$ millions unless indicated otherwise)	Three months ended				Six months ended			
	June 30, 2019		June 30, 2018		June 30, 2019		June 30, 2018	
United States	779	42%	750	41%	1,516	42%	1,462	41%
International	1,084	58%	1,069	59%	2,124	58%	2,136	59%
Net sales to third parties	1,863	100%	1,819	100%	3,640	100%	3,598	100%

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

5 . Income taxes

On June 30, 2019, Swiss voters approved the Swiss Tax Reform and Old Age Insurance financing bill ("Swiss tax reform"). As a result, the corporate income tax rate applicable to Alcon's Swiss profits as of January 1, 2020 will increase from approximately 9.4% in 2019 to approximately 14.2% beginning in 2020. This change resulted in a non-cash increase in tax expense of \$301 million related to the re-measurement of Swiss deferred tax assets and liabilities as of June 30, 2019 and is included as a discrete tax expense item.

6 . Earnings/(Loss) per share

On April 9, 2019, the date of the Spin-Off, 488.2 million shares of the Company's Common Stock were distributed to Novartis shareholders and Novartis American Depositary Receipt ("ADR") holders. No dividends were paid from April 9, 2019 through June 30, 2019.

Basic earnings/(loss) per share is computed by dividing the Company's net (loss)/income for the period by the weighted average number of common shares outstanding during the period. For both the three and six month periods ended June 30, 2019, the weighted average number of shares outstanding was 488.2 million shares. For periods prior to the Spin-Off, the denominator for basic earnings per share uses the number of shares distributed on the date of the Spin-Off.

The Company's only potentially dilutive securities are the outstanding unvested equity-based awards, as described in Note 10 to these Condensed Consolidated Interim Financial Statements. Except when the effect would be anti-dilutive, the calculation of diluted earnings per common share includes the weighted average net impact of unvested equity-based awards. For the three and six month periods ended June 30, 2019, 1.8 million and 0.9 million shares, respectively, related to unvested equity-based awards have been excluded from the calculation of diluted net loss per share as their effect would be anti-dilutive. For periods prior to the Spin-Off, the denominator for diluted earnings per share uses the number of shares distributed on the date of the Spin-Off.

7 . Right-of-use assets and Lease liabilities

Alcon adopted IFRS 16, *Leases* effective January 1, 2019, as described in Notes 1 and 2 to these Condensed Consolidated Interim Financial Statements.

The Company has applied the modified retrospective method, with right-of-use assets measured at an amount equal to the lease liability, adjusted by the amount of the prepaid or accrued lease payments relating to those leases recognized in the balance sheet immediately before the date of initial application.

In applying IFRS 16 for the first time, the Company has used the following practical expedients on a lease by lease basis as permitted by the standard:

- contracts previously identified as leases by applying IAS 17, *Leases* and IFRIC 4, *Determining whether an Arrangement contains a Lease*, have not been re-assessed under IFRS 16,
- leases with a remaining lease term less than 12 months from the date of adoption and leases of low-value assets have not been recognized as right-of-use assets and lease liabilities,
- measurement of right-of-use assets at the date of adoption excluded the initial direct costs, and
- use of hindsight in determining the lease term for contracts containing options to extend or terminate the lease.

The adoption of the standard did not have an impact on retained earnings in the period of adoption and prior years were not restated. However, the December 31, 2018 balances previously reported for a finance lease liability and corresponding asset of \$89 million and \$79 million, respectively, have been reclassified from "Non-current financial debts" and "Property, Plant, & Equipment" to "Non-current lease liabilities" and "Right-of-use assets," respectively, to enhance the inter-period comparability of information presented. The sections below provide the quantitative impacts of adoption on the Company's balance sheet and income statement.

Right-of-use assets

Right-of-use assets as of January 1, 2019 were comprised of the following:

(\$ millions)	January 1, 2019
Land	20
Buildings	226
Machinery & equipment and other assets	33
Total right-of-use assets (1)(2)	279

(1) Right-of-use assets of \$79 million associated with prior year finance leases were included within Property, plant and equipment as of December 31, 2018 as disclosed in Note 8 to the Combined Financial Statements in the Form 20-F.

(2) Right-of-use assets, related to operating leases at the date of implementation of IFRS 16, were higher than the lease liabilities at the date of implementation of IFRS 16 by \$3 million, due to the net impact of prepayments and accrued lease payments recognized at December 31, 2018. This impact was offset by the lease liability related to the finance lease exceeding the corresponding capital asset by \$10 million.

Lease liabilities

Lease liabilities of \$286 million were recorded on January 1, 2019, including the \$89 million finance lease previously presented as a non-current financial debt on the Company's Combined Balance Sheets as of December 31, 2018, as disclosed in Note 15 to the Combined Financial Statements in the Form 20-F.

The reconciliation of lease commitments disclosed as of December 31, 2018 and lease liability recorded on January 1, 2019 is as follows:

(\$ millions)	
Operating lease commitments as of December 31, 2018 ⁽¹⁾	222
Effect of discounting	(21)
Operating leases discounted using the incremental borrowing rate ⁽²⁾	201
Finance lease liabilities recognized as of December 31, 2018	89
Recognition exemption for short term and low-value leases	(4)
Lease liability as of January 1, 2019	286

(1) As reported in Note 23 to the Combined Financial Statements in the Form 20-F.

(2) Weighted average incremental borrowing rate of 2.9% was applied at January 1, 2019, the date of implementation of IFRS 16, *Leases*.

Right-of-use assets

Right-of-use assets as of June 30, 2019 of \$266 million were comprised of the following:

(\$ millions)	Balance at June 30, 2019
Land	21
Buildings	217
Machinery & equipment and other assets	28
Total	266

Depreciation charges of \$15 million and \$29 million for the three and six months ended June 30, 2019 are shown in the table below by underlying class of asset:

(\$ millions)	Three months ended June 30, 2019	Six months ended June 30, 2019
Land	—	1
Buildings	10	19
Machinery & equipment and other assets	5	9
Total	15	29

Additions to right-of-use assets amounted to \$16 million for the six months ended June 30, 2019.

Lease liabilities

Lease liabilities totaled \$273 million as of June 30, 2019, including \$53 million in current lease liabilities and \$220 million in non-current lease liabilities. The maturity analysis of the lease liability as of June 30, 2019, is as follows:

(\$ millions)	June 30, 2019
Less than one year	53
Between one and two years	37
Between two and three years	32
Between three and four years	26
Between four and five years	15
After five years	110
Total lease liabilities	273

Additional disclosures

The following table provides additional disclosures related to right-of-use assets and lease liabilities:

(\$ millions)	Three months ended June 30, 2019	Six months ended June 30, 2019
Interest expense on lease liabilities	3	5
Expense on short-term and low value leases	1	2
Total cash outflows for leases	12	24
<i>Thereof: Repayment of lease liabilities</i>	<i>11</i>	<i>22</i>

8 . Financial instruments

Fair value by hierarchy

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

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

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

As of June 30, 2019, there were no financial assets or liabilities carried at Level 1 fair value, and Level 2 financial assets and liabilities included derivative financial instruments. As of December 31, 2018, there were no financial assets or liabilities carried at Level 1 fair value or Level 2 fair value.

Level 3 inputs are unobservable for the asset or liability. The assets and liabilities generally included in Level 3 fair value hierarchy are long-term financial investments measured at fair value through Other comprehensive income ("FVOCI"), a fund investment and contingent consideration carried at fair value.

The below tables summarize assets and liabilities measured at fair value on a recurring basis or at amortized cost.

(\$ millions)	June 30, 2019				
	Level 1	Level 2	Level 3	Valued at amortized cost or cost ⁽²⁾	Total
Non-current financial assets					
Long-term financial investments measured at FVOCI	—	—	22	—	22
Fund investments	—	—	25	—	25
Long-term receivables from customers	—	—	—	147	147
Non-current minimum lease payments from finance lease agreements	—	—	—	82	82
Long-term loans, advances, security deposits and warrant options	—	—	—	81	81
Total non-current financial assets	—	—	47	310	357
Current financial assets ⁽¹⁾					
Current portion of long-term receivables from customers	—	—	—	131	131
Minimum lease payments from finance lease agreements	—	—	—	53	53
Other receivables, security deposits and current assets	—	—	—	145	145
VAT receivables	—	—	—	67	67
Derivative financial instruments	—	1	—	—	1
Total current financial assets	—	1	—	396	397
Total financial assets at fair value and amortized cost or cost	—	1	47	706	754
Financial liabilities					
Contingent consideration payables	—	—	(293)	—	(293)
Non-current financial debt	—	—	—	(1,751)	(1,751)
Current financial debt	—	—	—	(1,759)	(1,759)
Derivative financial instruments	—	(12)	—	—	(12)
Total financial liabilities at fair value and amortized cost	—	(12)	(293)	(3,510)	(3,815)

(1) Current financial assets referenced in the above table are recorded in Other current assets.

(2) Carrying amount is a reasonable approximation of fair value.

(\$ millions)	December 31, 2018				
	Level 1	Level 2	Level 3	Valued at amortized cost or cost (2)	Total
Non-current financial assets					
Long-term financial investments measured at FVOCI	—	—	19	—	19
Fund investments	—	—	27	—	27
Long-term receivables from customers	—	—	—	164	164
Non-current minimum lease payments from finance lease agreements	—	—	—	91	91
Long-term loans, advances, security deposits and warrant options	—	—	—	87	87
Total non-current financial assets	—	—	46	342	388
Current financial assets (1)					
Current portion of long-term receivables from customers	—	—	—	133	133
Minimum lease payments from finance lease agreements	—	—	—	57	57
Other receivables, security deposits and current assets	—	—	—	83	83
VAT receivables	—	—	—	68	68
Derivative financial instruments	—	—	—	—	—
Total current financial assets	—	—	—	341	341
Total financial assets at fair value and amortized cost or cost	—	—	46	683	729
Financial liabilities					
Contingent consideration payables	—	—	(162)	—	(162)
Non-current financial debt	—	—	—	—	—
Current financial debt	—	—	—	(47)	(47)
Derivative financial instruments	—	—	—	—	—
Total financial liabilities at fair value and amortized cost	—	—	(162)	(47)	(209)

(1) Current financial assets referenced in the above table are recorded in Other current assets.

(2) Carrying amount is a reasonable approximation of fair value.

The carrying amount is a reasonable approximation of fair value for all other financial assets and liabilities as of June 30, 2019, including Cash & cash equivalents, Trade receivables, Income tax receivables, and Trade payables.

There were no transfers of financial instruments between levels in the fair value hierarchy during the six months ended June 30, 2019.

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

Financial assets

(\$ millions)	Long-term financial investments measured at FVOCI		Fund investment	
	2019	2018	2019	2018
Balance as of January 1 (1)	19	26	27	25
Additions	8	11	—	—
Cash receipts and payments	—	—	—	(5)
Gains/(losses) recognized in consolidated statement of comprehensive income	(7)	—	—	—
Unrealized gains/(losses) in income statement	—	—	(2)	49
Reclassification	2	5	—	—
Balance as of June 30	22	42	25	69

(1) January 1, 2018 balances reflected in this table are as adjusted for adoption of IFRS 9, *Financial Instruments*.

Financial liabilities

(\$ millions)	Contingent consideration liabilities	
	2019	2018
Balance as of January 1	(162)	(113)
Additions	(135)	—
Accretion for passage of time	(9)	(10)
Adjustments for change in assumptions	13	—
Payments	—	—
Balance as of June 30	(293)	(123)

Contingent consideration additions of \$135 million relate to the acquisition of PowerVision, Inc. in March 2019 as described in Note 3 of these Condensed Consolidated Interim Financial Statements. Adjustments for changes in assumptions of \$13 million are primarily related to the expected timing of settlement for development milestones. As of June 30, 2019, the maximum remaining potential payments related to contingent consideration from business combinations is \$630 million plus other amounts calculated as a percentage of commercial sales in cases where there is not a specified maximum contractual payment amount.

Changes in the contingent consideration liability balance for the same period in prior year included \$10 million in Interest expense for accretion of the liability due to the passage of time.

Contingent consideration liabilities are reported in "Provisions & other non-current liabilities" and "Provisions & other current liabilities" based on the projected timing of settlement which is estimated to range from 2020 through 2029 for contingent consideration obligations as of June 30, 2019.

Financial Debts

The below table summarizes current and non-current Financial debts outstanding as of June 30, 2019 and December 31, 2018 . The below Financial debts are measured at amortized costs.

(\$ millions)	June 30, 2019	December 31, 2018
Non-current financial debts		
Facility A	498	—
Facility B	792	—
Facility C	396	—
Local facilities (Japan)	65	—
Revolving facility	—	—
Total non-current financial debts	1,751	—
Current financial debts		
Bridge Facility	1,496	—
Local facilities:		
Japan	86	—
All others	129	32
Other short-term financial debts	48	15
Derivatives	12	—
Total current financial debts	1,771	47
Total financial debts	3,522	47

Alcon entered into the below borrowing arrangements in connection with the Spin-Off, as described in the Form 20-F and Note 3 to these Condensed Consolidated Interim Financial Statements. Interest expense recognized for Financial debts was \$27 million and \$31 million in the three and six months ended June 30, 2019.

Bridge Loan, Term Loan, and Revolving Credit Facilities

On March 6, 2019, the Company entered into a \$1.5 billion unsecured 364-day bridge loan facility with two extension options, each for a period of 180 days (the "Bridge Facility"), a \$0.5 billion unsecured three-year term loan facility ("Facility A"), a \$0.8 billion unsecured five-year term loan facility ("Facility B"), a \$0.4 billion (or the equivalent in EUR) unsecured five-year term loan facility ("Facility C") and a \$1 billion unsecured five-year committed multicurrency revolving credit facility (the "Revolving Facility" and, together with the Bridge Facility, Facility A, Facility B and Facility C, the "Facilities"). On April 2, 2019, Alcon borrowed \$3.2 billion against the bridge and other term loans. The Revolving Facility was undrawn as of June 30, 2019.

The Facilities bear interest rates equal to the interest rate benchmark (prevailing Euro Interbank Offered Rate ("EURIBOR") in the case of loans denominated in EUR, USD prevailing London Interbank Offered Rate ("LIBOR") in the case of loans denominated in USD and CHF LIBOR in the case of loans denominated in CHF), plus an applicable margin.

The Company and certain of its subsidiaries are the borrowers under the Facilities and the Company guarantees the borrowings of such subsidiaries under the Facilities. In addition, the Revolving Facility includes a mechanism through which certain subsidiaries, as approved by the lenders, can accede as a borrower.

The Company is permitted to voluntarily prepay loans under the Facilities, in whole or in part, without penalty or premium subject to certain minimum prepayment amounts and the payment of accrued interest on the amount prepaid and customary breakage costs. The Bridge Facility has a mandatory prepayment provision, pursuant to which the Company would have to apply proceeds from relevant debt capital markets transactions in prepayment under the Bridge Facility.

The terms of the Facilities include certain events of default and covenants customary for investment grade credit facilities, including restrictive covenants that will limit, among other things, the grant or incurrence of security interests over any of the Company's assets, the incurrence of certain indebtedness and entry into certain fundamental change transactions. The Facilities do not contain any financial covenants.

Local Bilateral Facilities

In February 2019, the Company entered into a number of local bilateral facilities in different countries, with the largest share of borrowings in Japan. A total of \$0.3 billion was drawn including \$0.1 billion in two lines for Japan. All local bilateral lines are classified as current with a maturity date in one year or less, with the exception of one line in Japan with a maturity date in 2021 which is classified as non-current.

Derivatives

As of June 30, 2019, the net value of hedging positions for derivative forward contracts and swaps was \$11 million, including \$1 million of unrealized gains in Other current assets and \$12 million of unrealized losses in Current financial debts. A master netting agreement was executed for derivatives financial instruments, however, there were no derivative financial instruments meeting the offsetting criteria under IFRS as of June 30, 2019. The Company did not hold derivative financial instruments as of December 31, 2018.

Nature and extent of risks arising from financial instruments

Note 24 to the Combined Financial Statements in the Form 20-F contains a summary of the nature and extent of risks arising from financial instruments. The "Foreign currency exchange rate risk" portion of the risk management policy has been updated below to reflect the Company's use of derivative financial instruments. There have been no other significant changes in the risk management policies since the date of the Form 20-F.

Foreign currency exchange rate risk

The Company uses the US Dollar as its reporting currency and is therefore exposed to foreign currency exchange movements, primarily in Euro, Japanese Yen, Chinese Renminbi and emerging market currencies. Fluctuations in the exchange rate between the US Dollar and other currencies can have a significant effect on both the Company's results of operations, including reported sales and earnings, as well as on the reported value of our assets, liabilities and cash flows. This, in turn, may significantly affect the comparability of period-to-period results of operations.

The Company manages its global currency exposure by engaging in hedging transactions where management deems appropriate (forward contracts and swaps). Specifically, Alcon enters into various contracts that reflect the changes in the value of foreign currency exchange rates to preserve the value of assets.

9 . Condensed consolidated statements of cash flows - additional details

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

9.1 Depreciation, amortization, impairments and fair value adjustments

(\$ millions)	Six months ended	
	June 30, 2019	June 30, 2018
Property, plant & equipment	129	119
Right-of-use assets	29	—
Intangible assets	536	555
Financial assets	15	(59)
Total	709	615

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

(\$ millions)	Six months ended	
	June 30, 2019	June 30, 2018
(Increase) in inventories	(57)	(94)
(Increase) in trade receivables	(122)	(94)
Increase in trade payables	134	47
Net change in other current assets	(73)	74
Net change in other current liabilities	(64)	10
Total	(182)	(57)

10 . Equity-based compensation

On April 9, 2019 the Company adopted various equity incentive plans, under which the Company may grant awards in the form of performance stock units ("PSUs"), restricted stock awards ("RSAs"), restricted stock units ("RSUs"), stock appreciation rights ("SARs"), stock options or any other form of award at the discretion of the Board. Certain employees outside the United States also may participate in share ownership savings plans.

Replacement awards

As described in Note 21 to the Combined Financial Statements in the Form 20-F, prior to Spin-Off, Alcon associates participated in Novartis' equity-based participation plans, which included stock options, restricted stock units, performance-based restricted stock units and certain share savings ownership plans. Awards granted under these plans consisted of Novartis AG restricted shares, restricted share units, performance share units, Novartis AG tradable share options, Novartis AG American Depositary Receipt options, common shares or cash-settled awards. The Condensed Consolidated Income Statements reflect the compensation expense for the Novartis' equity-based incentive plans in which the Company's employees participated for the periods prior to the Spin-Off.

Concurrent with the Spin-Off, certain outstanding Novartis awards granted to Alcon associates under Novartis' equity incentive plans vested in Novartis equity on a pro rata basis, in proportion to the amount of vesting period

completed; the remaining Novartis awards were replaced with Alcon awards that have terms and vesting schedules substantially similar to the replaced Novartis awards.

The pro rata vesting of Novartis awards and replacement of unvested Novartis awards with Alcon awards represents a modification under IFRS 2, *Share-based Payment*. Alcon measured the fair value of the awards immediately prior to and subsequent to the modification and concluded that no incremental fair value was provided to employees. Accordingly, Alcon will continue to recognize as an expense the amount of unrecognized compensation cost of the original awards over the remaining vesting periods. The Company issued 4.2 million unvested equity-based awards in connection with the modification at the time of Spin-Off and granted another 0.6 million unvested equity-based awards subsequent to the Spin-Off, resulting in 4.8 million unvested equity-based Alcon awards outstanding as of June 30, 2019.

11 . Related parties transactions

Prior to the Distribution, the Alcon business was a segment of Novartis such that transactions with Novartis were considered related party transactions. In connection with the separation, Alcon entered into a separation and distribution agreement as well as various other agreements governing relationships with Novartis going forward, including manufacturing and supply, transitional services, tax matters, employee matters, and patent and know-how license and brand license agreements. Information included in this Note 11 with respect to Novartis is strictly limited to related party transactions with Novartis prior to the Spin-Off on April 9, 2019.

Transactions with Novartis (up to April 9, 2019)

Transactions from trading activities related to products and services invoiced between other Novartis Group companies and the Company's business, have been retained in the historical condensed consolidated financial statements. The ultimate controlling parent of both, the other Novartis Group companies and the Company's business, was Novartis AG until the Spin-Off.

(\$ millions)	Three months ended		Six months ended	
	June 30, 2019 (1)	June 30, 2018	June 30, 2019 (1)	June 30, 2018
Sales from the Company to former parent	—	1	—	2
Contract manufacturing revenues from former parent	—	—	47	—
Purchases of the Company from former parent	—	1	19	2
(\$ millions)				
			December 31, 2018 (1)	
Trade and other receivables from former parent				20
Trade and other payables to former parent				85
Other financial receivables from former parent				39
Other financial liabilities to former parent				67

(1) Activity presented strictly relates to the period during which Novartis was a related party (up to April 9, 2019).

Sales to and purchases from former parent

Beginning in 2019, product sales to Novartis are recorded in "Other revenues" in line with the Company's contract manufacturing arrangement executed with Novartis. Other revenues in 2019 prior to the Spin-Off were \$47 million. Purchases of products from Novartis under the contract manufacturing arrangement totaled \$19 million in 2019 prior to the Spin-Off.

Other financial receivables and payables related to former parent

Prior to the Spin-Off the majority of Alcon's subsidiaries were party to Novartis cash pooling arrangements with several financial institutions to maximize the availability of cash for general operating and investing purposes. Under these cash pooling arrangements, cash balances were swept by Novartis regularly from the Company's bank accounts, and the net position with the Novartis cash pooling accounts at the end of each reporting period was reflected in combined balance sheet in "Other financial receivables from Novartis Group" or "Other financial liabilities to Novartis Group". These cash pooling arrangements were eliminated during the three months ended March 31, 2019 in anticipation of the Spin-Off and replaced with third party financing arrangements as needed.

Novartis Business Services ("NBS") Charges, Corporate Overhead and Other Allocations from Novartis

In 2018 and prior, Novartis Group provided the Company certain services from NBS, the shared service organization of Novartis Group, across the following service domains: human resources operations, real estate and facility services, including site security and executive protection, procurement, information technology, commercial and medical support services and financial reporting and accounting operations. The Condensed Consolidated Interim Financial Statements include the appropriate costs related to the services rendered, without profit margin, in accordance with the historical arrangements that existed between the Alcon business and NBS.

Further, certain general and administrative costs of Novartis Group were not charged or allocated to the Alcon business in the past. For the purpose of the 2018 financial statements, such costs were allocated based on reasonable assumptions and estimates, based on the direct and indirect costs incurred to provide the respective service. When specific identification was not practicable, a proportional cost method was used, primarily based on sales, or headcount.

These NBS charges, corporate overhead and other allocations amounted to \$140 million and \$276 million in the three and six months ended June 30, 2018 .

During 2018, Alcon formed its own business and corporate support functions, including its own service organization, such that certain activities and associates were transferred from Novartis to Alcon, operationally effective January 1, 2019. Services provided by Novartis Group to the Company in 2019 prior to the Spin-Off totaled \$40 million and primarily related to human resources operations, real estate and facility services, and information technology.

Management believes that the net charges and methods used for allocations to the Company were performed on a reasonable basis and reflect the services received by the Company and the cost incurred on behalf of the Company. Although the Condensed Consolidated Interim Financial Statements reflect management's best estimate of all historical costs related to the Company, this may however not necessarily reflect what the results of operations, financial position, or cash flows would have been had the Company been a separate entity, nor the future results of the Company as it exists following completion of the separation on April 9, 2019.

12 . Legal proceedings update

A number of Alcon companies are, and will likely continue to be, subject to various legal proceedings and investigations that arise from time to time, including proceedings regarding product liability, sales and marketing practices, commercial disputes, employment, and wrongful discharge, antitrust, securities, health and safety, environmental, tax, international trade, privacy, and intellectual property matters. As a result, the Company may become subject to substantial liabilities that may not be covered by insurance and could affect our business, financial position and reputation. While the Company does not believe that any of these legal proceedings will have a material adverse effect on its financial position, litigation is inherently unpredictable and large judgments sometimes occur. As a consequence, the Company may in the future incur judgments or enter into settlements of claims that could have a material adverse effect on its results of operations or cash flow. Note 16 to the Combined Financial Statements in the Form 20-F contains a summary of significant legal proceedings to which the Company or its subsidiaries were a party as of the date of the Form 20-F. The following is a summary as of August 20, 2019 of significant developments in those proceedings as well as any new significant proceedings commenced since the date of the Form 20-F.

MIVS platform patent infringement litigation

In June 2015, Johns Hopkins University ("JHU") filed a patent infringement lawsuit against certain Alcon entities alleging that the use of certain Alcon surgical products, principally by third parties, infringes a patent directed to certain methods of ocular surgery. In March 2019, Alcon and JHU entered into a settlement agreement in full settlement of all claims relating to this proceeding.

LenSx laser system and WaveLight FS200 laser patent infringement litigations

Two consolidated cases were filed against Alcon claiming that the *LenSx* laser system and *WaveLight* FS200 femtosecond laser infringe two US patents expiring in 2018 and 2030. The district court entered summary judgment for Alcon, and the plaintiff appealed to the US Court of Appeals for the Federal Circuit. The court of appeals affirmed the district court's judgment for Alcon on August 8, 2019.

In addition to the matters described above, there have been other developments in the other legal matters described in Note 16 to the Combined Financial Statements in the Form 20-F. However, the developments during the first six months of 2019 do not significantly affect the assessment of management concerning the adequacy of the total provisions recorded for legal proceedings.

13 . Subsequent events

These unaudited Condensed Consolidated Interim Financial Statements were authorized for issue by the Company's Audit & Risk Committee on August 20, 2019.

SUPPLEMENTARY INFORMATION - DEFINITIONS AND RECONCILIATIONS OF NON-IFRS MEASURES

Non-IFRS measures as defined by the Company

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

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

Core results

Alcon core results, including core operating income and core net income, exclude all amortization and impairment charges of intangible assets, excluding software, net gains and losses on fund investments and equity securities valued at fair value through profit and loss, 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, impairments of property, plant and equipment and financial assets, as well as income and expense items that management deems exceptional and that are or are expected to accumulate within the year to be over a \$10 million threshold.

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

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

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

Constant currencies

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

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

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

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

EBITDA

Alcon defines earnings before interest, tax, depreciation and amortization (EBITDA) as net (loss)/income excluding income taxes, depreciation of property, plant and equipment (including any related impairment charges), depreciation of right-of-use assets, amortization of intangible assets (including any related impairment charges), interest expense and other financial income and expense.

Free cash flow

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

Net liquidity/(debt)

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

Growth rate and margin calculations

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

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

Reconciliation of IFRS results to core results

Segment contribution

Three months ended June 30, 2019

(\$ millions)	IFRS Results	Amortization of certain intangible assets (1)	Separation Costs (2)	Other Items (3)	Core Results
Surgical segment contribution	217		3	15	235
Vision Care segment contribution	135		5	3	143
Not allocated to segments	(405)	258	70	9	(68)
Total operating (loss)/income	(53)	258	78	27	310

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

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

(3) Surgical segment contribution includes \$18 million in amortization of option rights, integration related expenses for recent acquisitions and manufacturing sites consolidation activities, partially offset by a \$3 million fair value adjustment of a contingent consideration liability. Vision Care segment contribution includes integration related expenses for recent acquisitions. Not allocated to segments primarily includes a fair value adjustment on a financial asset.

Three months ended June 30, 2018

(\$ millions)	IFRS Results	Amortization of certain intangible assets (1)	Impairments (2)	Restructuring items (3)	Legal items (4)	Other Items (5)	Core Results
Surgical segment contribution	219					18	237
Vision Care segment contribution	131						131
Not allocated to segments	(312)	254	39	2	9	(48)	(56)
Total operating income	38	254	39	2	9	(30)	312

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

(2) Includes impairment charges related to intangible assets.

(3) Includes restructuring charges and related items.

(4) Includes legal costs related to an investigation.

(5) Surgical segment contribution includes amortization of option rights and a fair value adjustment of a contingent consideration liability. Not allocated to segments primarily includes a fair value adjustment on a financial asset.

Segment contribution (continued)

Six months ended June 30, 2019

(\$ millions)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Separation Costs ⁽²⁾	Legal items ⁽³⁾	Other Items ⁽⁴⁾	Core Results
Surgical segment contribution	440		3		20	463
Vision Care segment contribution	282		5		14	301
Not allocated to segments	(823)	513	70	32	68	(140)
Total operating (loss)/income	(101)	513	78	32	102	624

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

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

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

(4) Surgical segment contribution includes \$33 million in amortization of option rights, spin readiness costs, integration related expenses for recent acquisitions and manufacturing sites consolidation activities, partially offset by \$13 million in fair value adjustments of a contingent consideration liability. Vision Care segment contribution includes spin readiness costs and integration related expenses for recent acquisitions. Not allocated to segments primarily includes spin readiness costs and a fair value adjustment on a financial asset.

Six months ended June 30, 2018

(\$ millions)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Restructuring items ⁽³⁾	Legal items ⁽⁴⁾	Other Items ⁽⁵⁾	Core Results
Surgical segment contribution	422					31	453
Vision Care segment contribution	314						314
Not allocated to segments	(625)	507	39	2	18	(54)	(113)
Total operating income	111	507	39	2	18	(23)	654

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

(2) Includes impairment charges related to intangible assets.

(3) Includes restructuring charges and related items.

(4) Includes legal costs related to an investigation.

(5) Surgical segment contribution includes amortization of option rights and a fair value adjustment of a contingent consideration liability. Not allocated to segments includes a fair value adjustment on a financial asset.

Operating (loss)/income, net (loss)/income, and (loss)/earnings per share

Three months ended June 30, 2019

(\$ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Separation Costs ⁽²⁾	Other Items ⁽³⁾	Core Results
Gross profit	947	252	3	2	1,204
Selling, general & administration	(760)		13	2	(745)
Research & development	(167)	6	2	13	(146)
Other income	6			2	8
Other expense	(79)		60	8	(11)
Operating (loss)/income	(53)	258	78	27	310
(Loss)/income before taxes	(96)	258	78	27	267
Taxes ⁽⁴⁾	(294)	(36)	(18)	312	(36)
Net (loss)/income	(390)	222	60	339	231
Basic (loss)/earnings per share ⁽⁵⁾	(0.80)				0.47
Diluted (loss)/earnings per share ⁽⁵⁾	(0.80)				0.47

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

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

(3) Gross profit includes manufacturing sites consolidation activities. Selling, general & administration includes expenses for integration of recent acquisitions. Research & development includes \$16 million primarily for the amortization of option rights and expenses for integration of recent acquisitions, partially offset by a \$3 million fair value adjustment of a contingent consideration liability. Other income and expense include \$10 million for fair value adjustments of a financial asset and other items.

(4) Total tax adjustments of \$258 million included tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$363 million totaled \$58 million with an average tax rate of 16.0%.

Core tax adjustments for discrete items totaled \$316 million, including a \$301 million non-cash tax expense for re-measurement of deferred tax balances as a result of Swiss tax reform, changes in uncertain tax positions and other items.

(5) Core basic earnings per share is calculated using the 488.2 million weighted-average shares of common stock outstanding during the period following the Spin-Off.

Core diluted earnings per share also contemplate dilutive shares of 1.8 million associated with unvested equity-based awards as described in Note 6 to the Condensed Consolidated Interim Financial Statements, yielding 490.0 million weighted-average diluted shares for the three months ended June 30, 2019.

Operating (loss)/income, net (loss)/income, and (loss)/earnings per share (continued)

Three months ended June 30, 2018

(\$ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Restructuring items ⁽³⁾	Legal items ⁽⁴⁾	Other Items ⁽⁵⁾	Core Results
Gross profit	878	251	39				1,168
Selling, general & administration	(722)						(722)
Research & development	(152)	3				18	(131)
Other income	62			(1)	(1)	(49)	11
Other expense	(28)			3	10	1	(14)
Operating income	38	254	39	2	9	(30)	312
Income before taxes	24	254	39	2	9	(30)	298
Taxes ⁽⁶⁾	(9)						(42)
Net income	15						256
Basic earnings per share ⁽⁷⁾	0.03						0.52
Diluted earnings per share ⁽⁷⁾	0.03						0.52

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

(2) Includes impairment charges related to intangible assets.

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

(4) Includes legal costs related to an investigation.

(5) Research and development includes amortization of option rights and a fair value adjustment of a contingent consideration liability. Other income and expense primarily include \$49 million for fair value adjustments of a financial asset.

(6) Tax associated with operating income core adjustments of \$274 million totaled \$33 million. The core tax rate of 14.2% has been applied to core pre-tax income for the period.

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

Operating (loss)/income, net (loss)/income, and (loss)/earnings per share (continued)

Six months ended June 30, 2019

(\$ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Separation Costs ⁽²⁾	Legal items ⁽³⁾	Other Items ⁽⁴⁾	Core Results
Gross profit	1,799	502	3		10	2,314
Selling, general & administration	(1,416)		13		9	(1,394)
Research & development	(313)	11	2		20	(280)
Other income	18				(1)	17
Other expense	(189)		60	32	64	(33)
Operating (loss)/income	(101)	513	78	32	102	624
(Loss)/income before taxes	(161)	513	78	32	102	564
Taxes ⁽⁵⁾	(338)	(70)	(18)	(8)	348	(86)
Net (loss)/income	(499)	443	60	24	450	478
Basic (loss)/earnings per share ⁽⁶⁾	(1.02)					0.98
Diluted (loss)/earnings per share ⁽⁶⁾	(1.02)					0.98

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

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

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

(4) Gross Profit includes spin readiness costs and manufacturing sites consolidation activities. Selling, general & administration includes expenses for spin readiness and integration of recent acquisitions. Research & development includes \$33 million primarily for the amortization of option rights and expenses for integration of recent acquisitions, partially offset by \$13 million in fair value adjustments of a contingent consideration liability. Other income and expense primarily includes spin readiness costs.

(5) Total tax adjustments of \$252 million included tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$725 million totaled \$115 million with an average tax rate of 15.9%.

Core tax adjustments for discrete items totaled \$367 million, including a \$301 million non-cash tax expense for re-measurement of deferred tax balances as a result of Swiss tax reform and a \$68 million tax expense related to rate changes in the US following the Spin-Off, offset by net changes in uncertain tax positions.

(6) Core basic earnings per share is calculated using the 488.2 million weighted-average shares of common stock outstanding during the period following the Spin-Off.

Core diluted earnings per share also contemplate dilutive shares of 0.9 million associated with unvested equity-based awards as described in Note 6 to the Condensed Consolidated Interim Financial Statements, yielding 489.1 million weighted-average diluted shares for the six months ended June 30, 2019.

Operating (loss)/income, net (loss)/income, and (loss)/earnings per share (continued)

Six months ended June 30, 2018

(\$ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Restructuring items ⁽³⁾	Legal items ⁽⁴⁾	Other Items ⁽⁵⁾	Core Results
Gross profit	1,745	502	39				2,286
Selling, general & administration	(1,375)						(1,375)
Research & development	(289)	5				31	(253)
Other income	81			(1)	(1)	(59)	20
Other expense	(51)			3	19	5	(24)
Operating income	111	507	39	2	18	(23)	654
Income before taxes	85	507	39	2	18	(23)	628
Taxes ⁽⁶⁾	(32)						(89)
Net income	53						539
Basic earnings per share ⁽⁷⁾	0.11						1.10
Diluted earnings per share ⁽⁷⁾	0.11						1.10

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

(2) Includes impairment charges related to intangible assets.

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

(4) Includes legal costs related to an investigation.

(5) Research and development includes amortization of option rights and a fair value adjustment of a contingent consideration liability. Other income and expense primarily include fair value adjustments of a financial asset.

(6) Tax associated with operating income core adjustments of \$543 million totaled \$57 million. The core tax rate of 14.2% has been applied to core pre-tax income for the period.

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

EBITDA

(\$ millions)	Three months ended			Six months ended		
	June 30, 2019	June 30, 2018	Change	June 30, 2019	June 30, 2018	Change
Net (loss)/income	(390)	15	(405)	(499)	53	(552)
Taxes	294	9	285	338	32	306
Depreciation of property, plant & equipment	65	60	5	129	119	10
Depreciation on right-of-use assets	15	—	15	29	—	29
Amortization of intangible assets	270	258	12	536	516	20
Impairments of property, plant & equipment, and intangible assets	—	39	(39)	—	39	(39)
Interest expense	35	6	29	44	12	32
Other financial income and expense	8	8	—	16	14	2
EBITDA	297	395	(98)	593	785	(192)

Cash flow and net (debt)/liquidity

(\$ millions)	Six months ended	
	June 30, 2019	June 30, 2018
Net cash flows from operating activities	301	555
Net cash flows used in investing activities	(558)	(275)
Net cash flows from/(used in) financing activities	747	(298)
Effect of exchange rate changes on cash and cash equivalents	4	(3)
Net change in cash and cash equivalents	494	(21)
Change in derivative financial instrument assets	1	—
Change in current and non-current financial debts ⁽¹⁾	(3,475)	8
Change in other financial liabilities to former parent	67	(2)
Change in other financial receivables from former parent	(39)	11
Change in net (debt)/liquidity ⁽¹⁾	(2,952)	(4)
Net liquidity at January 1	152	126
Net (debt)/liquidity at June 30 ⁽¹⁾	(2,800)	122

(1) Alcon adopted IFRS 16, Leases as of January 1, 2019 using the modified retrospective approach as described in Notes 2 and 7 to the Condensed Consolidated Interim Financial Statements. Under the modified retrospective approach, comparative information was not restated. However, the balances previously reported in "Financial debts" for a finance lease obligation have been reclassified from "Financial debts" to "Non-current lease liabilities" to enhance the inter-period comparability of information presented. This reclassification of Balance Sheet presentation has also been reflected in the computation of the Change in net liquidity, resulting in an increase in Net liquidity as of January 1, 2019, June 30, 2018 and January 1, 2018 of \$89 million, \$86 million and \$84 million, respectively.

Net (debt)/liquidity

(\$ millions)	At June 30, 2019	At December 31, 2018	Change
Current financial debt	(1,771)	(47)	(1,724)
Other financial liabilities to former parent	—	(67)	67
Other financial receivables from former parent	—	39	(39)
Non-current financial debt (1)	(1,751)	—	(1,751)
Total financial debt	(3,522)	(75)	(3,447)

Less liquidity:

Cash and cash equivalents	721	227	494
Derivative financial instruments	1	—	1
Total liquidity	722	227	495
Net (debt)/liquidity (1)	(2,800)	152	(2,952)

(1) Alcon adopted IFRS 16, Leases as of January 1, 2019 using the modified retrospective approach as described in Notes 2 and 7 to the Condensed Consolidated Interim Financial Statements. Under the modified retrospective approach, comparative information was not restated. However, the balances previously reported in "Financial debts" for a finance lease obligation have been reclassified from "Financial debts" to "Non-current lease liabilities" to enhance the inter-period comparability of information presented. This reclassification of Balance Sheet presentation has also been reflected in the computation of Net (debt)/liquidity, resulting in an increase in Net (debt)/liquidity of \$89 million as of December 31, 2018.

Free cash flow

The following is a summary of Alcon free cash flow for the six months ended June 30, 2019 and 2018 , together with a reconciliation to net cash flows from operating activities, the most directly comparable IFRS measure:

(\$ millions)	Six months ended	
	June 30, 2019	June 30, 2018
Net cash flows from operating activities	301	555
Purchase of property, plant & equipment	(206)	(179)
Free cash flow	95	376

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains “forward-looking statements” within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: “anticipate,” “intend,” “commitment,” “look forward,” “maintain,” “plan,” “goal,” “seek,” “believe,” “project,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “should,” “will” and similar references to future periods.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on Alcon’s current beliefs, expectations and assumptions regarding the future of its business, future plans and strategies, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties and risks that are difficult to predict. Such forward-looking statements are subject to various risks and uncertainties facing Alcon, including: the commercial success of its products and its ability to maintain and strengthen its position in its markets; the success of its research and development efforts; uncertainties regarding the success of Alcon’s separation and spin-off from Novartis; pricing pressure from changes in third party payor coverage and reimbursement methodologies; global economic, financial, legal, tax, political, and social change; ongoing industry consolidation; its ability to maintain relationships in the healthcare industry; changes in inventory levels or buying patterns of its customers; its reliance on sole or limited sources of supply; its reliance on outsourcing key business functions; its ability to protect its intellectual property; the impact on unauthorized importation of its products from countries with lower prices to countries with higher prices; its success in completing and integrating strategic acquisitions; the effects of litigation, including product liability lawsuits; its ability to comply with all laws to which it may be subject; effect of product recalls or voluntary market withdrawals, including CyPass; data breaches; the implementation of its enterprise resource planning system; its ability to attract and retain qualified personnel; the sufficiency of its insurance coverage; the accuracy of its accounting estimates and assumptions, including pension plan obligations and the carrying value of intangible assets; the ability to obtain regulatory clearance and approval of its products as well as compliance with any post-approval obligations; legislative and regulatory reform; the ability of Alcon Pharmaceuticals Ltd. to comply with its investment tax incentive agreement with the Swiss State Secretariat for Economic Affairs in Switzerland and the Canton of Fribourg, Switzerland; ability to service its debt obligations; the need for additional financing; its ability to operate as a stand-alone company; whether the transitional services Novartis has agreed to provide Alcon are sufficient; the impact of the spin-off from Novartis on Alcon’s shareholder base; the ability to declare and pay dividends; and the effect of maintaining or losing its foreign private issuer status under US securities laws. Additional factors are discussed in Alcon’s filings with the United States Securities and Exchange Commission, including its Form 20-F. Should one or more of these uncertainties or risks materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated. Therefore, you should not rely on any of these forward-looking statements.

Forward-looking statements in this document speak only as of the date of its filing, and Alcon assumes no obligation to update forward-looking statements as a result of new information, future events or otherwise.

ABOUT ALCON

Alcon helps people see brilliantly. As the global leader in eye care with a heritage spanning more than seven decades, we offer the broadest portfolio of products to enhance sight and improve people's lives. Our Surgical and Vision Care products touch the lives of more than 260 million people in over 140 countries each year living with conditions like cataracts, glaucoma, retinal diseases and refractive errors. Our more than 20,000 associates are enhancing the quality of life through innovative products, partnerships with eye care professionals and programs that advance access to quality eye care. Learn more at www.alcon.com.

