

**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 18, 2020

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
☒ 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 18, 2020 titled "Alcon Reports Second Quarter 2020 Results"
99.2	Alcon Inc. 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 18, 2020

By: /s/ Timothy C. Stonesifer

Name: Timothy C. Stonesifer

Title: Authorized Representative

Date: August 18, 2020

By: /s/ Royce Bedward

Name: Royce Bedward

Title: Authorized Representative

Alcon Reports Second Quarter 2020 Results

- **Second quarter sales of \$1.2 billion, a decrease of 36%, or 34% constant currency**
- **Sequential monthly improvements since April, driven by the global recovery**
- **Continued progress on strategic initiatives and innovation roadmap**
- **Successfully raised \$750 million from senior notes to further strengthen liquidity**

Geneva, August 18, 2020 - Alcon (SIX/NYSE:ALC), the global leader in eye care, reported its financial results for the second quarter and first half ended June 30, 2020. For the second quarter of 2020, worldwide sales were \$1.2 billion, a decrease of 36% on a reported basis and a decrease of 34% on a constant currency basis⁽²⁾, as compared to the same quarter of the previous year. Second quarter 2020 diluted losses per share were \$0.86 and core diluted losses per share were \$0.21.

Second quarter and first half 2020 key figures

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Net sales (\$ millions)	1,198	1,863	3,020	3,640
Operating margin (%)	(38.9)%	(2.8)%	(16.4)%	(2.8)%
Core operating margin (%) ⁽¹⁾	(6.6)%	16.6%	7.4%	17.1%
(Loss) per share (\$)	(0.86)	(0.80)	(0.98)	(1.02)
Core diluted (loss)/earnings per share (\$) ⁽¹⁾	(0.21)	0.47	0.24	0.98

"We are encouraged by the sequential monthly improvement in sales, which confirmed our recovery expectations. Despite the significant level of uncertainty due to COVID-19, we continue to stay on track with our major initiatives," said David Endicott, Chief Executive Officer.

Mr. Endicott continued, "We are laser focused on executing our strategic priorities: accelerating innovation, transforming new Alcon and expanding our world class manufacturing capabilities. These investments will sustain Alcon's market leadership, fuel growth and expand our ability to serve more doctors, patients and customers in a post-pandemic world."

Second quarter and first half 2020 results

Worldwide sales for the second quarter were \$1.2 billion, a decrease of 36%, or 34% on a constant currency basis, compared to the second quarter of 2019. Sales were negatively impacted by COVID-19 across all categories, partially offset by the growth of *PanOptix* and the launch of *Pataday*. Key countries began to recover in the latter part of the quarter as restrictions were eased.

For the first half of 2020, worldwide sales were \$3.0 billion, a decrease of 17%, or 15% on a constant currency basis, compared to the first half of 2019, with the COVID-19 related decline in the second quarter offsetting a strong start to the year.

The following table highlights net sales by segment for the second quarter and first half of 2020:

(\$ millions unless indicated otherwise)	Three months ended June 30		Change %		Six months ended June 30		Change %	
	2020	2019	\$	cc(2)	2020	2019	\$	cc(2)
Surgical								
Implantables	176	300	(41)	(40)	486	585	(17)	(15)
Consumables	320	588	(46)	(45)	839	1,139	(26)	(25)
Equipment/other	106	163	(35)	(32)	261	327	(20)	(18)
Total Surgical	602	1,051	(43)	(42)	1,586	2,051	(23)	(21)
Vision Care								
Contact lenses	329	493	(33)	(32)	831	991	(16)	(15)
Ocular health	267	319	(16)	(14)	603	598	1	3
Total Vision Care	596	812	(27)	(25)	1,434	1,589	(10)	(8)
Net sales to third parties	1,198	1,863	(36)	(34)	3,020	3,640	(17)	(15)

Surgical impacted by COVID-19 related restrictions on procedures

Surgical net sales of \$602 million, which include implantables, consumables and equipment/other, decreased 43%, or 42% on a constant currency basis, compared to the second quarter of 2019. All categories were impacted by the COVID-19 pandemic. In the implantables category, the decline was partially offset by demand from the launch of *PanOptix* in Japan and the US. For the first half of 2020, Surgical net sales decreased 23%, or 21% on a constant currency basis, compared to the first half of 2019.

Vision Care impacted by COVID-19 related conditions

Vision Care net sales of \$596 million, which include contact lenses and ocular health, decreased 27%, or 25% on a constant currency basis, compared to the second quarter of 2019. The decline in sales was primarily driven by lower demand and widespread office closures, partially offset by incremental revenues from the launch of *Pataday*, Alcon's new over-the-counter solution for ocular allergies. Net sales for the first half of 2020 decreased 10%, or 8% on a constant currency basis, compared to the first half of 2019.

Operating income/loss

Second quarter 2020 operating loss was \$466 million, which includes charges of \$258 million from the amortization of certain intangible assets, \$62 million of separation costs, \$41 million of impairment charges and \$13 million of transformation program costs. Excluding these and other adjustments, second quarter 2020 core operating loss was \$79 million. Second quarter core operating margin of negative 6.6% decreased from last year's core margin of 16.6%. The decrease in core operating margin was due to lower sales, unabsorbed manufacturing overhead costs, increased provisions for expected COVID-19 related credit losses and increased inventory provisions, partially offset by a significant reduction in discretionary spending.

Operating loss for the first half of the year was \$494 million, which includes charges of \$517 million from the amortization of certain intangible assets, \$133 million of separation costs, \$57 million of impairment charges and \$20 million of transformation program costs. Excluding these and other adjustments, core operating income for the first half of 2020 was \$223 million and core operating margin was 7.4% compared to 17.1% for the same period last year. First half and second quarter 2020 core margin was negatively impacted by 70 bps from unfavorable foreign exchange.

Diluted losses/earnings per share (EPS)

Second quarter 2020 diluted losses per share were \$0.86. Core diluted losses per share were \$0.21 for the second quarter, driven by the impact of COVID-19 on operations, partially offset by significant cost reductions and the tax benefit in the current period.

First half 2020 diluted losses per share were \$0.98. Core diluted earnings per share were \$0.24 for the first half of 2020, driven by the impact of COVID-19 on operations in the second quarter offsetting core income in the first quarter.

Balance sheet highlights

The Company ended the second quarter with a cash position of \$1.3 billion. Financial debts totaled \$4.1 billion as of June 30, 2020, including \$750 million of senior notes issued in late May 2020. The Company ended the second quarter with a net debt⁽³⁾ position of \$2.8 billion. The Company continues to have \$1 billion available in its existing revolving credit facility as of August 18, 2020.

Financial Outlook

Due to the uncertain scope and duration of the ongoing COVID-19 outbreak, the Company is unable to provide an estimate for financial results for the full year 2020.

The Company is actively managing working capital, cash flow and expenses and prioritizing capital allocation needs. In addition, the Company is focused on inventory management and preparing its commercial programs to support the market recovery.

To learn more about Alcon's efforts in COVID-19, read our statement on alcon.com.

Webcast and Conference Call Instructions

The Company will host a conference call on August 19 at 2:00 p.m. Central European Summer Time / 8:00 a.m. Eastern Daylight Time to discuss its second quarter 2020 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/2020/Alcons-Second-Quarter-2020-Earnings-Conference-Call/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 US dollars using average exchange rates from the prior year and comparing them to prior year values in US dollars. An explanation of non-IFRS measures can be found in 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, see the explanation of non-IFRS measures and reconciliation tables in the 'Non-IFRS measures as defined by the Company' and 'Financial Tables' sections.

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,” “target,” “assume,” “believe,” “project,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “should,” “will” and similar references to future periods. Examples of forward-looking statements include, among others, statements Alcon makes regarding its liquidity, revenue, gross margin, effective tax rate, foreign currency exchange movements, earnings per share, its plans and decisions relating to various capital expenditures, capital allocation priorities and other discretionary items, and generally, its expectations concerning its future performance and the effects of the COVID-19 pandemic on its businesses.

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 effect of the COVID-19 pandemic as well as other viral or disease outbreaks; the commercial success of its products and its ability to maintain and strengthen its position in its markets; the success of its research and development efforts, including its ability to innovate to compete effectively; its success in completing and integrating strategic acquisitions; pricing pressure from changes in third party payor coverage and reimbursement methodologies; global economic, financial, legal, tax, political, and social change; the ability to obtain regulatory clearance and approval of its products as well as compliance with any post-approval obligations, including quality control of its manufacturing; ongoing industry consolidation; its ability to properly educate and train healthcare providers on its products; changes in inventory levels or buying patterns of its customers; its reliance on sole or limited sources of supply; ability to service its debt obligations; the need for additional financing through the issuance of debt or equity; its reliance on outsourcing key business functions; its ability to protect its intellectual property; the impact on unauthorized importation of its products from countries with lower prices to countries with higher prices; the effects of litigation, including product liability lawsuits; its ability to comply with all laws to which it may be subject; effect of product recalls or voluntary market withdrawals; data breaches; the implementation of its enterprise resource planning system; its ability to attract and retain qualified personnel; the accuracy of its accounting estimates and assumptions, including pension plan obligations and the carrying value of intangible assets; 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; its ability to operate as a stand-alone company; whether the transitional services Novartis has agreed to provide Alcon are sufficient; the impact of being listed on two stock exchanges; the ability to declare and pay dividends; the different rights afforded to its shareholders as a Swiss corporation compared to a US corporation; and the effect of maintaining or losing its foreign private issuer status under US securities laws. Additional factors are discussed in Alcon’s filings with the United States Securities and Exchange Commission, including its Form 20-F and its Form 6-K furnished on May 12, 2020. 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.

Intellectual Property

This report may contain references to our proprietary intellectual property. All product names appearing in *italics* or ALL CAPS are trademarks owned by or licensed to Alcon Inc.

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

Core results

Alcon core results, including core operating income and core net income, exclude all amortization and impairment charges of intangible assets, excluding software, net gains and losses on fund investments and equity securities valued at fair value through profit and loss (FVPL), fair value adjustments of financial assets in the form of options to acquire a company carried at FVPL, obligations related to product recalls, and certain acquisition related items. The following items that exceed a threshold of \$10 million and are deemed exceptional are also excluded from core results: integration and divestment related income and expenses, divestment gains and losses, restructuring charges/releases and related items, legal related items, gains/losses on early extinguishment of debt or debt modifications, impairments of property, plant and equipment and software, as well as income and expense items that management deems exceptional and that are or are expected to accumulate within the year to be over a \$10 million threshold.

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

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

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

Constant currencies

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

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

- 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.

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.

Financial tables

Second quarter / first half 2020 net sales by region

(\$ millions unless indicated otherwise)	Three months ended June 30				Six months ended June 30			
	2020		2019		2020		2019	
United States	493	41%	779	42%	1,285	43%	1,516	42%
International	705	59%	1,084	58%	1,735	57%	2,124	58%
Net sales to third parties	1,198	100%	1,863	100%	3,020	100%	3,640	100%

Consolidated income statement (unaudited)

(\$ millions except (loss) per share)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Net sales to third parties	1,198	1,863	3,020	3,640
Other revenues	16	40	35	87
Net sales and other revenues	1,214	1,903	3,055	3,727
Cost of net sales	(854)	(922)	(1,806)	(1,847)
Cost of other revenues	(15)	(34)	(32)	(81)
Gross profit	345	947	1,217	1,799
Selling, general & administration	(595)	(760)	(1,272)	(1,416)
Research & development	(163)	(167)	(302)	(313)
Other income	9	6	18	18
Other expense	(62)	(79)	(155)	(189)
Operating (loss)	(466)	(53)	(494)	(101)
Interest expense	(30)	(35)	(61)	(44)
Other financial income & expense	(6)	(8)	(16)	(16)
(Loss) before taxes	(502)	(96)	(571)	(161)
Taxes	80	(294)	92	(338)
Net (loss)	(422)	(390)	(479)	(499)
(Loss) per share				
Basic	(0.86)	(0.80)	(0.98)	(1.02)
Diluted	(0.86)	(0.80)	(0.98)	(1.02)
Weighted average number of shares outstanding (millions)				
Basic	489.0	488.2	488.8	488.2
Diluted	489.0	488.2	488.8	488.2

Balance sheet highlights

(\$ millions)	June 30, 2020	December 31, 2019
Cash and cash equivalents	1,324	822
Current financial debts	235	261
Non-current financial debts	3,909	3,218

Free cash flow

The following is a summary of Alcon free cash flow for the six months ended June 30, 2020 and 2019, together with a reconciliation to net cash flows from operating activities, the most directly comparable IFRS measure:

	Six months ended June 30	
(\$ millions)	2020	2019
Net cash flows from operating activities	58	301
Purchase of property, plant & equipment	(168)	(206)
Free cash flow	(110)	95

Net (debt)/liquidity

(\$ millions)	At June 30, 2020
Current financial debt	(235)
Non-current financial debt	(3,909)
Total financial debt	(4,144)
Less liquidity:	
Cash and cash equivalents	1,324
Derivative financial instruments	2
Total liquidity	1,326
Net (debt)	(2,818)

Reconciliation of IFRS to Core Results

Three months ended June 30, 2020

(\$ millions except (loss) per share)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Separation costs ⁽³⁾	Transformation costs ⁽⁴⁾	Other items ⁽⁵⁾	Core Results
Gross profit	345	250	41	4	—	14	654
Selling, general & administration	(595)	—	—	6	—	—	(589)
Research & development	(163)	8	—	—	—	9	(146)
Other income	9	—	—	—	—	(3)	6
Other expense	(62)	—	—	52	13	(7)	(4)
Operating (loss)	(466)	258	41	62	13	13	(79)
(Loss) before taxes	(502)	258	41	62	13	13	(115)
Taxes ⁽⁶⁾	80	(43)	(10)	(11)	(3)	(1)	12
Net (loss)	(422)	215	31	51	10	12	(103)
Basic (loss) per share	(0.86)						(0.21)
Diluted (loss) per share	(0.86)						(0.21)
Basic - weighted average shares outstanding ⁽⁷⁾	489.0						489.0
Diluted - weighted average shares outstanding ⁽⁷⁾	489.0						489.0

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

(2) Includes impairment charges related to intangible assets.

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

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

(5) Gross profit includes losses on disposal of property, plant & equipment and a fair value adjustment of a contingent consideration liability. Research & development includes amortization of option rights. Other income and expense include fair value adjustments of financial assets.

(6) Total tax adjustments of \$68 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$387 million totaled \$67 million with an average tax rate of 17.3%.

(7) Core basic and diluted loss per share are calculated using the weighted-average shares of common stock outstanding during the period.

Reconciliation of IFRS to Core Results (continued)

Three months ended June 30, 2019

(\$ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Separation costs ⁽²⁾	Transformation costs ⁽³⁾	Other items ⁽⁴⁾	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	5	3	(11)
Operating (loss)/income	(53)	258	78	5	22	310
(Loss)/income before taxes	(96)	258	78	5	22	267
Taxes ⁽⁵⁾	(294)	(36)	(18)	(1)	313	(36)
Net (loss)/income	(390)	222	60	4	335	231
Basic (loss)/earnings per share	(0.80)					0.47
Diluted (loss)/earnings per share	(0.80)					0.47
Basic - weighted average shares outstanding ⁽⁶⁾	488.2					488.2
Diluted - weighted average shares outstanding ⁽⁶⁾	488.2					490.0

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

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

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

(4) 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 \$5 million for fair value adjustments of a financial asset and other items.

(5) Total tax adjustments of \$258 million include 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.

(6) Core basic earnings per share was calculated using the 488.2 million weighted-average shares of common stock outstanding for the three months ended June 30, 2019. Core diluted earnings per share also contemplate dilutive shares of 1.8 million associated with unvested equity-based awards as described in Note 5 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)

Six months ended June 30, 2020

(\$ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Separation costs ⁽³⁾	Transformation costs ⁽⁴⁾	Other items ⁽⁵⁾	Core Results
Gross profit	1,217	502	57	7	—	4	1,787
Selling, general & administration	(1,272)	—	—	9	—	—	(1,263)
Research & development	(302)	15	—	—	—	(11)	(298)
Other income	18	—	—	—	—	(3)	15
Other expense	(155)	—	—	117	20	—	(18)
Operating (loss)/income	(494)	517	57	133	20	(10)	223
(Loss)/income before taxes	(571)	517	57	133	20	(10)	146
Taxes ⁽⁶⁾	92	(87)	(14)	(24)	(4)	7	(30)
Net (loss)/income	(479)	430	43	109	16	(3)	116
Basic (loss)/earnings per share	(0.98)						0.24
Diluted (loss)/earnings per share	(0.98)						0.24
Basic - weighted average shares outstanding ⁽⁷⁾	488.8						488.8
Diluted - weighted average shares outstanding ⁽⁷⁾	488.8						491.4

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

(2) Includes impairment charges related to intangible assets.

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

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

(5) Gross profit includes \$9 million losses on disposal of property, plant & equipment partially offset by a \$5 million fair value adjustment of a contingent consideration liability. Research & development includes a \$34 million fair value adjustment of a contingent consideration liability, partially offset by \$23 million for the amortization of option rights. Other income primarily includes fair value adjustments of a financial asset.

(6) Total tax adjustments of \$122 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$717 million totaled \$132 million with an average tax rate of 18.4%.

Core tax adjustments for discrete items totaled \$10 million, primarily related to tax expense from the delayed spin of a subsidiary.

(7) Core basic earnings per share is calculated using the weighted-average shares of common stock outstanding during the period. Core diluted earnings per share also contemplate dilutive shares of 2.6 million associated with unvested equity-based awards as described in Note 5 to the Condensed Consolidated Interim Financial Statements, yielding 491.4 million weighted-average diluted shares for the six months ended June 30, 2020.

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⁾	Transformation costs ⁽³⁾	Legal items ⁽⁴⁾	Other items ⁽⁵⁾	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	5	32	59	(33)
Operating (loss)/income	(101)	513	78	5	32	97	624
(Loss)/income before taxes	(161)	513	78	5	32	97	564
Taxes ⁽⁶⁾	(338)	(70)	(18)	(1)	(8)	349	(86)
Net (loss)/income	(499)	443	60	4	24	446	478
Basic (loss)/earnings per share	(1.02)						0.98
Diluted (loss)/earnings per share	(1.02)						0.98
Basic - weighted average shares outstanding ⁽⁷⁾	488.2						488.2
Diluted - weighted average shares outstanding ⁽⁷⁾	488.2						489.1

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

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

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

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

(5) Gross Profit includes spin readiness costs and manufacturing sites consolidation activities. Selling, general & administration includes expenses for spin readiness costs and 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.

(6) 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 \$301 million in 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 legal entity reorganizations executed related to the Spin-off, partially offset by net changes in uncertain tax positions.

(7) Core basic earnings per share was 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 5 to the Condensed Consolidated Interim Financial Statements, yielding 489.1 million weighted-average diluted shares for the six months ended June 30, 2019.



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. INTERIM FINANCIAL REPORT

INDEX	Page
Operating Performance	2
Liquidity and Capital Resources	10
Condensed Consolidated Interim Financial Statements (unaudited)	
Consolidated Income Statements	14
Consolidated Statements of Comprehensive (Loss)/Income	15
Consolidated Balance Sheets	16
Consolidated Statements of Changes in Equity	17
Consolidated Statements of Cash Flows	18
Notes to Condensed Consolidated Interim Financial Statements	19
Supplementary Information	
Non-IFRS Measures as Defined by the Company	35
Reconciliation of IFRS Results to Core Results	37
EBITDA	41
Cash Flow and Net (Debt)/Liquidity	41
Net (Debt)/Liquidity	42
Free Cash Flow	42
Disclaimer	43

OPERATING PERFORMANCE

Key figures

(\$ millions unless indicated otherwise)	Three months ended June 30		Change %		Six months ended June 30		Change %	
	2020	2019	\$	cc(1)	2020	2019	\$	cc(1)
Net sales to third parties	1,198	1,863	(36)	(34)	3,020	3,640	(17)	(15)
Gross profit	345	947	(64)	(62)	1,217	1,799	(32)	(30)
Operating (loss)	(466)	(53)	nm	nm	(494)	(101)	nm	nm
Operating margin (%)	(38.9)	(2.8)			(16.4)	(2.8)		
Net (loss)	(422)	(390)	(8)	(7)	(479)	(499)	4	8
Basic and diluted (loss) per share \$(2)	(0.86)	(0.80)	(8)	(7)	(0.98)	(1.02)	4	8

Core results(1)

Core operating (loss)/income	(79)	310	nm	nm	223	624	(64)	(60)
Core operating margin (%)	(6.6)	16.6			7.4	17.1		
Core net (loss)/income	(103)	231	nm	nm	116	478	(76)	(72)
Core basic (loss)/earnings per share \$(2)	(0.21)	0.47	nm	nm	0.24	0.98	(76)	(72)
Core diluted (loss)/earnings per share \$(3)	(0.21)	0.47	nm	nm	0.24	0.98	(76)	(72)

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 489.0 million and 488.8 million weighted-average shares for the three and six months ended June 30, 2020, respectively, and 488.2 million shares for the prior year periods. Per share amounts may not add across quarters due to rounding.

(3) Calculated using 489.0 million weighted-average shares for the three months ended June 30, 2020 and 491.4 million weighted-average diluted shares for the six months ended June 30, 2020. Calculated using 490.0 million and 489.1 million weighted-average diluted shares for the three and six months ended June 30, 2019, respectively. Refer to the 'Supplementary Information' section for additional details. Per share amounts may not add across quarters due to rounding.

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

Net sales by segment

(\$ millions unless indicated otherwise)	Three months ended June 30		Change %		Six months ended June 30		Change %	
	2020	2019	\$	cc(1)	2020	2019	\$	cc(1)
Surgical								
Implantables	176	300	(41)	(40)	486	585	(17)	(15)
Consumables	320	588	(46)	(45)	839	1,139	(26)	(25)
Equipment/other	106	163	(35)	(32)	261	327	(20)	(18)
Total Surgical	602	1,051	(43)	(42)	1,586	2,051	(23)	(21)
Vision Care								
Contact lenses	329	493	(33)	(32)	831	991	(16)	(15)
Ocular health	267	319	(16)	(14)	603	598	1	3
Total Vision Care	596	812	(27)	(25)	1,434	1,589	(10)	(8)
Net sales to third parties	1,198	1,863	(36)	(34)	3,020	3,640	(17)	(15)

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

Second quarter

Surgical

Surgical net sales were \$602 million (-43%, -42% cc), impacted by a broad slowdown in non-urgent surgeries due to the COVID-19 pandemic. Implantables declined (-41%, -40% cc) across all categories, partially offset by the growing adoption of *AcrySof IQ PanOptix* trifocal IOLs benefiting from recent launches in the US and Japan. Consumables declined (-46%, -45% cc) and equipment/other declined (-35%, -32% cc) across all categories, primarily due to a broad slowdown from the COVID-19 pandemic.

Vision Care

Vision Care net sales were \$596 million (-27%, -25% cc), impacted by lower demand due to COVID-19. Contact lenses declined (-33%, -32% cc) across all categories and most geographies. Ocular health sales were also impacted by lower demand (-16%, -14% cc), partially offset by sales of *Pataday* in the US.

First half

Surgical

Surgical net sales were \$1.6 billion (-23%, -21% cc), impacted by a broad slowdown in non-urgent surgeries due to the COVID-19 pandemic. Implantables declined (-17%, -15% cc) with lower demand in monofocal IOLs, partially offset by growth in Advanced Technology IOLs, mainly *AcrySof IQ PanOptix*. Consumables declined (-26%, -25% cc), primarily impacted by declining cataract procedures due to the COVID-19 pandemic. Equipment/other declined (-20%, -18% cc) primarily due to a broad slowdown from the COVID-19 pandemic.

Vision Care

Vision Care net sales were \$1.4 billion (-10%, -8% cc), impacted by lower demand due to COVID-19. Contact lenses declined (-16%, -15% cc) across all categories and all geographies. Ocular health grew (+1%, +3% cc), primarily driven by the recent launch of *Pataday* in the US.

Operating (loss)/income

(\$ millions unless indicated otherwise)	Three months ended June 30		Change %		Six months ended June 30		Change %	
	2020	2019	\$	cc(1)	2020	2019	\$	cc(1)
Gross profit	345	947	(64)	(62)	1,217	1,799	(32)	(30)
Selling, general & administration	(595)	(760)	22	20	(1,272)	(1,416)	10	9
Research & development	(163)	(167)	2	2	(302)	(313)	4	3
Other income	9	6	50	46	18	18	—	5
Other expense	(62)	(79)	22	20	(155)	(189)	18	17
Operating (loss)	(466)	(53)	nm	nm	(494)	(101)	nm	nm
<i>Operating margin (%)</i>	<i>(38.9)</i>	<i>(2.8)</i>			<i>(16.4)</i>	<i>(2.8)</i>		

Core results⁽¹⁾

Core gross profit	654	1,204	(46)	(44)	1,787	2,314	(23)	(21)
Core operating (loss)/income	(79)	310	nm	nm	223	624	(64)	(60)
<i>Core operating margin (%)</i>	<i>(6.6)</i>	<i>16.6</i>			<i>7.4</i>	<i>17.1</i>		

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 \$466 million, compared to \$53 million in the prior year period. Lower sales, higher unabsorbed fixed overhead costs and labor inefficiencies of \$64 million for manufacturing plants operating at below normal capacity due to the COVID-19 pandemic, increased provisions for expected credit losses due to the COVID-19 pandemic and increased inventory provisions were partially offset by reductions in discretionary selling, general & administration expenses and lower separation costs. The current year period also included a \$41 million impairment of an intangible asset, higher transformation program costs and losses for manufacturing asset retirements. There was a negative 1.4 percentage point impact on operating margin from currency.

Adjustments to arrive at core operating loss were \$387 million, mainly due to \$258 million of amortization, \$62 million of separation costs and a \$41 million impairment of an intangible asset.

Core operating loss was \$79 million, compared to core operating income of \$310 million in the prior year period. Lower sales, higher unabsorbed fixed overhead costs and labor inefficiencies of \$64 million, increased provisions for expected credit losses due to the COVID-19 pandemic and increased inventory provisions were partially offset by reductions in discretionary selling, general & administration expenses. There was a negative 0.7 percentage point impact on core operating margin from currency.

First Half

Operating loss was \$494 million, compared to \$101 million in the prior year period. Lower sales, higher unabsorbed fixed overhead costs and labor inefficiencies of \$64 million, increased provisions for expected credit losses due to the COVID-19 pandemic, increased inventory provisions and higher investments in research and development were partially offset by reductions in discretionary selling, general & administration expenses and fair value adjustments of contingent consideration liabilities. The current year period also included \$133 million of separation costs, \$57 million in impairments of intangible assets, higher transformation program costs and losses for manufacturing asset retirements, while the prior year period included \$78 million of separation costs, \$72 million of spin readiness costs and \$32 million in legal settlement costs. There was a negative 1.1 percentage point impact on operating margin from currency.

Adjustments to arrive at core operating income were \$717 million, mainly due to \$517 million of amortization, \$133 million of separation costs, \$57 million in impairments of intangible assets, \$40 million in fair value adjustments of contingent liabilities and \$20 million of transformation program costs.

Core operating income was \$223 million (-64%, -60% cc), compared to \$624 million in the prior year period. Lower sales, higher unabsorbed fixed overhead costs and labor inefficiencies of \$64 million, increased provisions for expected credit losses due to the COVID-19 pandemic, increased inventory provisions and higher investments in research and development were partially offset by reductions in discretionary selling, general & administration expenses. There was a negative 0.7 percentage point impact on core operating margin from currency.

Segment contribution⁽¹⁾

(\$ millions unless indicated otherwise)	Three months ended June 30		Change %		Six months ended June 30		Change %	
	2020	2019	\$	cc ⁽²⁾	2020	2019	\$	cc ⁽²⁾
Surgical segment contribution	(28)	235	nm	nm	180	463	(61)	(58)
As % of net sales	(4.7)	22.4			11.3	22.6		
Vision Care segment contribution	22	143	(85)	(81)	188	301	(38)	(34)
As % of net sales	3.7	17.6			13.1	18.9		
Not allocated to segments	(460)	(431)	(7)	(7)	(862)	(865)	—	—
Operating (loss)	(466)	(53)	nm	nm	(494)	(101)	nm	nm
Core adjustments ⁽²⁾	387	363			717	725		
Core operating (loss)/income⁽²⁾	(79)	310	nm	nm	223	624	(64)	(60)

nm = not meaningful

(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 a loss of \$28 million, compared to income of \$235 million in the prior year period. Surgical segment contribution was impacted by lower sales, higher unabsorbed fixed overhead costs and labor inefficiencies, increased provisions for expected credit losses due to the COVID-19 pandemic and increased inventory provisions, partially offset by reductions in discretionary spending, primarily related to marketing and sales. There was a negative 0.6 percentage point impact on segment contribution margin from currency.

Vision Care

Vision Care segment contribution was \$22 million (-85%, -81% cc), compared to \$143 million in the prior year period. Lower sales, higher unabsorbed fixed overhead costs and labor inefficiencies and increased inventory provisions were partially offset by reductions in discretionary spending, primarily related to marketing and sales. There was a negative 0.8 percentage point impact on segment contribution margin from currency.

Not allocated to segments

Operating loss not allocated to segments totaled \$460 million (-7%, -7% cc), compared to \$431 million in the prior year period.

First Half

Surgical

Surgical segment contribution was \$180 million (-61%, -58% cc), compared to \$463 million in the prior year period. A slowdown in sales, higher unabsorbed fixed overhead costs and labor inefficiencies and provisions for expected credit losses driven by the COVID-19 pandemic and higher investments in research and development were partially offset by reductions in discretionary spending, primarily related to marketing and sales. There was a negative 0.6 percentage point impact on segment contribution margin from currency.

Vision Care

Vision Care segment contribution was \$188 million (-38%, -34% cc), compared to \$301 million in the prior year period. Lower sales, higher unabsorbed fixed overhead costs and labor inefficiencies and increased inventory provisions were partially offset by reductions in discretionary spending, primarily related to marketing and sales. There was a negative 0.6 percentage point impact on segment contribution margin from currency.

Not allocated to segments

Operating loss not allocated to segments totaled \$862 million (0%,0% cc), compared to a loss of \$865 million in the prior year period.

Non-operating income and expense

(\$ millions unless indicated otherwise)	Three months ended June 30		Change %		Six months ended June 30		Change %	
	2020	2019	\$	cc(1)	2020	2019	\$	cc(1)
Operating (loss)	(466)	(53)	nm	nm	(494)	(101)	nm	nm
Interest expense	(30)	(35)	14	13	(61)	(44)	(39)	(40)
Other financial income & expense	(6)	(8)	25	13	(16)	(16)	—	(4)
(Loss) before taxes	(502)	(96)	nm	nm	(571)	(161)	(255)	(240)
Taxes	80	(294)	nm	nm	92	(338)	nm	nm
Net (loss)	(422)	(390)	(8)	(7)	(479)	(499)	4	8
Basic and diluted (loss) per share (\$)	(0.86)	(0.80)	(8)	(7)	(0.98)	(1.02)	4	8

Core results(1)

Core taxes	12	(36)	nm	nm	(30)	(86)	65	59
Core net (loss)/income	(103)	231	nm	nm	116	478	(76)	(72)
Core basic (loss)/earnings per share (\$)	(0.21)	0.47	nm	nm	0.24	0.98	(76)	(72)
Core diluted (loss)/earnings per share (\$)	(0.21)	0.47	nm	nm	0.24	0.98	(76)	(72)

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 \$30 million, compared to \$35 million in the prior year period. The change was driven by more favorable interest rates in the current year period partially offset by the newly issued senior notes in late May 2020.

Other financial income & expense

Other financial income & expense, consisting primarily of hedging costs and foreign currency exchange gains and losses, was a net expense of \$6 million, compared to \$8 million the prior year period.

Taxes

Tax benefit was \$80 million compared to a \$294 million expense in the prior year period. The prior year period included 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 \$68 million, primarily related to tax associated with operating income core adjustments.

Core tax benefit was \$12 million, compared to a \$36 million expense in the prior year period. The average core tax rate was 10.4% compared to 13.5% in the prior year period, primarily related to the mix of pre-tax income/(loss) across geographical tax jurisdictions and overall impact of COVID-19 on profitability.

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

Net loss was \$422 million, compared to \$390 million in the prior year period. The change was mainly attributable to the increased operating loss, partially offset by tax benefit in the current period compared to prior period tax expense related to Swiss tax reform. The associated basic and diluted loss per share were \$0.86, compared to \$0.80 in the prior year period.

Core net loss of \$103 million, compared to core net income of \$231 million in the prior year period, was due to the current period core operating loss compared to core operating income in the prior year period. The associated core basic and diluted loss per share were \$0.21, compared to earnings per share of \$0.47 in the prior year period.

First Half

Interest expense

Interest expense was \$61 million, compared with \$44 million in the prior year period, driven by an increase in third party debt following our spin-off (the "Spin-off") from Novartis AG ("Novartis" or "Former Parent") and additional senior notes issued in late May 2020.

Other financial income & expense

Other financial income & expense was a net expense of \$16 million, in line with the prior year period.

Taxes

Tax benefit was \$92 million, compared to a tax expense of \$338 million in the prior year period. Taxes recognized in the prior year period include a \$301 million non-cash tax expense related to the re-measurement of deferred tax assets and liabilities as a result of Swiss tax reform, a \$68 million non-cash tax expense primarily for re-measurement of deferred tax balances related to rate changes in the US following legal entity reorganizations executed related to the Spin-off, partially offset by net changes in uncertain tax positions.

Adjustments to arrive at core tax expense were \$122 million, primarily related to tax associated with operating income core adjustments, partially offset by tax expense from the delayed spin of a subsidiary.

Core tax expense was \$30 million, compared to \$86 million in the prior year period. The average core tax rate increased to 20.5% from 15.2% in the prior year period. The increase in the core effective tax rate was primarily driven by the mix of pre-tax income/(loss) across geographical tax jurisdictions, the increase in Swiss tax rate, the lower return on sales as a result of the COVID-19 impact and net changes in uncertain tax positions.

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

Net loss was \$479 million, compared to a net loss of \$499 million in the prior year period. The change was mainly attributable to the current year increased operating loss, offset by the tax benefit in the current period compared to the large tax expense in the prior year period. The associated basic and diluted loss per share were \$0.98, compared to \$1.02 in the prior year period.

Core net income was \$116 million, compared to \$478 million in the prior year period, primarily due to lower core operating income. The associated core basic and diluted earnings per share were \$0.24, compared to \$0.98 in the prior year period.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

Net cash flows from operating activities amounted to \$58 million, compared to \$301 million in the prior year period. The current year was impacted by lower sales, changes in net working capital and timing of tax payments driven by the COVID-19 pandemic, and increased interest payments on our financial debts following the Spin-off. The prior year period was impacted by changes in net working capital and payments due to a legal settlement. Both periods include annual short-term incentive payments which generally occur in the first quarter.

Changes in net working capital in the current year were primarily driven by the COVID-19 pandemic. Decreased sales resulted in increased inventory, decreased accruals for various customer sales incentive programs and decreased trade payables due to lower discretionary spending. There were also decreases in trade receivables as collections outpaced new sales and reductions in other current assets including VAT and other receivables. Changes in net working capital in the prior year period were primarily driven by increased trade receivables, in line with increased sales, and contract manufacturing receivables from Former Parent, which are included within other current assets. The prior year period trade payables were impacted by 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 \$201 million in the first half of 2020, compared to \$558 million in the prior year period, primarily due to the acquisition of PowerVision in March 2019 and reduced capital spending in 2020 as a result of the COVID-19 pandemic. Refer to Note 3 of the Condensed Consolidated Interim Financial Statements for additional information on the PowerVision acquisition.

Net cash flows from financing activities amounted to \$635 million in the first half of 2020, compared to \$747 million in the prior year period. Cash inflows in the current year include the issuance of senior notes in late May 2020, partially offset by repayments of current financial debts, lease payments and withholding taxes paid upon net settlements of equity-based compensation. Cash inflows in the prior year period were attributable to proceeds from the issuance of non-current and current financial debts totaling \$3.5 billion, partially offset by \$2.7 billion for net cash payments made to our Former Parent and its affiliates prior to the Spin-off.

Free cash flow (non-IFRS measure)

Free cash flow amounted to an outflow of \$110 million in the first half of 2020, compared to an inflow of \$95 million in the prior year period, driven by decreased cash flows from operating activities partially offset by lower purchases of property, plant and equipment.

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 were \$22.8 billion as of June 30, 2020, a decrease of \$571 million when compared to \$23.4 billion as of December 31, 2019. There was a decrease of \$541 million in Intangible assets other than goodwill related to recurring amortization and asset impairments. Financial assets decreased \$74 million primarily due to movement of balances to Other current assets as maturity has become less than twelve months.

Total current assets were \$4.6 billion as of June 30, 2020, an increase of \$397 million when compared to \$4.2 billion as of December 31, 2019. Cash and cash equivalents increased \$502 million attributable to the net impact of operating, investing, and financing activities as described in the preceding section. Inventories increased \$153 million primarily driven by decreased demand due to the COVID-19 pandemic. Trade receivables decreased \$219 million as collections outpaced new receivables from slower sales due to the COVID-19 pandemic. Other current assets decreased \$55 million primarily due to decreases in the current portion of long-term financial investments measured at FVPL, VAT and other receivables.

Liabilities

Total non-current liabilities were \$6.6 billion as of June 30, 2020, an increase of \$577 million when compared to \$6.1 billion as of December 31, 2019. Financial debts increased \$691 million, primarily due to the issuance of \$750 million of senior notes on May 27, 2020, and Deferred tax liabilities decreased \$158 million in line with recurring amortization of intangible assets.

Total current liabilities were \$2.1 billion as of June 30, 2020, a decrease of \$221 million when compared to \$2.3 billion as of December 31, 2019. There was a decrease in Provisions and other current liabilities of \$168 million primarily attributable to timing of annual short-term incentive payments and lower accruals for revenue deductions driven by lower sales due to the COVID-19 pandemic. Trade payables decreased \$52 million primarily due to a reduction in discretionary spending. Financial debts decreased \$26 million primarily due to the payment of certain local debt facilities, partially offset by movement of balances from non-current Financial debts.

Equity

Equity was \$18.8 billion as of June 30, 2020, a decrease of \$530 million when compared to \$19.3 billion as of December 31, 2019.

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

Net debt of \$2.8 billion as of June 30, 2020 increased \$162 million compared to December 31, 2019. Alcon's liquidity amounted to \$1.3 billion as of June 30, 2020, compared to \$823 million as of December 31, 2019. Total financial debt amounted to \$4.1 billion as of June 30, 2020, compared to \$3.5 billion as of December 31, 2019. The average maturity of financial debts outstanding as of June 30, 2020 is 9.3 years.

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.

Additional COVID-19 considerations

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus ("COVID-19") as a pandemic, and most major markets, including the US, began to implement shelter-in-place orders, business shutdowns and the deferral of non-urgent procedures. As the world faces the COVID-19 pandemic, Alcon remains fully committed to serving the eye care professionals, patients and consumers who depend on us. The health and safety of our associates and our community remain our highest priority. To that end, we have activated a Global Crisis Management team to implement business continuity measures and action plans.

Associate safety

To protect our associates, we have implemented a response framework with recommended COVID-19 prevention, containment and mitigation measures. For example, for our plant and warehouse-based associates, we have implemented new procedures such as limiting the number of people in one area at a time, modifying workstation arrangements, screening temperatures daily, minimizing the cross flow of people between shifts to reduce potential exposure and enhancing cleaning of our facilities. Most of our office-based associates are working from home and are not traveling. In addition, our sales and customer service teams are delivering remote account management in lieu of in-person visits. As COVID-19 cases begin to decline in certain regions and government restrictions are lifted, all Alcon locations have prepared return to the workplace plans to ensure appropriate prevention measures are in place and our sales and customer service teams are equipped with the tools to keep them healthy and safe, including pre-visit checklists and appropriate personal protective equipment ("PPE"). Our associates are beginning to return to the office and field in certain regions.

Community support

To assist vulnerable populations affected, directly or indirectly, by COVID-19, the Alcon Foundation has made monetary donations to local, national and global organizations to support meal programs for children and seniors, provide essential supplies to shelters and aid public health emergency relief efforts. We also donated PPE, including Alcon-manufactured hand sanitizer and splashguards, as well as eye drops for front line workers.

Supply chain continuity

To protect our customers and the patients who depend on our products, we continue to manufacture and supply our products and are actively working to mitigate any potential supply chain disruptions. Prior to the current crisis, we developed a diverse manufacturing footprint, which has enabled us to maintain sufficient inventory

on hand. We have enhanced our business continuity plans to ensure our supply chain is maintained. We generally target 12 weeks of customer-ready products in our supply chain and, for most of our products, we are at or close to this level. Our Procurement teams are staying in close contact with our critical suppliers to maintain access to raw materials and other components. When necessary, we are also utilizing alternative methods of product distribution and supplier sourcing, as well as alternative shipping options where possible. In addition, we have partnered with industry trade groups and the medical community as they developed new protocols to serve patients safely during the pandemic.

Net sales trends

Despite growth in January and February 2020 net sales, compared to the same period in the prior year, net sales decreased in March and continued to deteriorate in April. Net sales in April 2020 were approximately half of normal monthly net sales, which we believe was the low point due to restrictions on non-urgent surgical procedures in most markets. While the recovery remains uncertain, we anticipate second quarter net sales experienced the greatest impact from COVID-19, with the greatest decline seen in April, followed by slight improvement in May. Net sales started to rebound in June and continued to improve in July.

Looking ahead, we expect the pace of recovery will vary on a market by market basis, depending on existing capacity, differences between private and public channels, hospitals and non-hospital settings, the nature of patient needs and sense of safety. Based on these factors and absent another shut-down related to COVID-19, we believe we will likely see continued improvement throughout the second half of 2020.

Financial measures

We ended the second quarter of 2020 with \$1.3 billion in cash and cash equivalents, following the issuance of \$750 million of senior notes in late May 2020. July collections remained relatively stable and cash and cash equivalents were \$1.3 billion as of July 31, 2020. However, we may see delays or reductions in collections in the coming months due to extended credit terms and as we work with our customers during this pandemic. As a result, we have taken significant steps to manage our cash flow while we prepare for markets to recover. These actions have included:

- Adjusting production volumes to align with demand expectations;
- Reducing discretionary costs, such as travel and marketing spending, and phasing capital expenditures, while continuing with separation, transformation and strategic investment priorities;
- Delaying initiation of our first dividend to 2021; and
- Issuing \$750 million of senior notes in late May 2020.

Because we believe these conditions are transitory, we are not making structural changes to our operational costs that could impede our ability to fully ramp up when most geographic markets recover.

Key assumptions

Management has assessed the past and potential impact of the adverse effects of COVID-19 on Alcon's results of operation, cash flows, and liquidity. The preparation of financial statements requires management to make certain estimates and assumptions, either at the balance sheet date or during the period that affects the reported amounts of assets and liabilities as well as revenues and expenses. In particular, the presented Condensed Consolidated Interim Financial Statements for the period ended June 30, 2020 required the use of significant estimates and assumptions pertaining to the impact of COVID-19 on Alcon's operations, results, and liquidity. Key assumptions include:

- The COVID-19 outbreak will have a continued impact on the second half of 2020, but market conditions will begin to improve throughout the period;
- Our Surgical segment will be impacted more than our Vision Care segment due to the deferral of non-urgent surgeries;
- Our manufacturing sites will continue operating at below normal capacity until demand normalizes;
- We will retain our associates and meet supplier obligations while reducing discretionary costs and phasing certain capital expenditures; and
- Separation, transformation and strategic investment priorities will continue.

Actual outcomes and results could differ materially from our estimates and assumptions. For example, extended COVID-19 related shut-down periods or slower recovery periods could result in an inability to manufacture products, reduced sales, incremental provisions for expected customer credit losses and inventory, incremental

costs, reduced cash on hand, and increased debt or impairments of assets. We use the US Dollar as our reporting currency and are therefore also exposed to foreign currency exchange movements, primarily in Euros, Japanese Yen, Chinese Renminbi, Swiss Francs, and emerging market currencies.

Financial debts

Our financial debts do not have any major maturities before 2024 and do not contain any financial covenants. Our \$1 billion revolving credit facility remained undrawn as of August 18, 2020 and there are no current limitations on our ability to borrow under the facility.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF ALCON INC.

CONSOLIDATED INCOME STATEMENTS (unaudited)

(\$ millions except (loss) per share)	Note	Three months ended June 30		Six months ended June 30	
		2020	2019	2020	2019
Net sales to third parties	4	1,198	1,863	3,020	3,640
Other revenues	4	16	40	35	87
Net sales and other revenues		1,214	1,903	3,055	3,727
Cost of net sales		(854)	(922)	(1,806)	(1,847)
Cost of other revenues		(15)	(34)	(32)	(81)
Gross profit		345	947	1,217	1,799
Selling, general & administration		(595)	(760)	(1,272)	(1,416)
Research & development		(163)	(167)	(302)	(313)
Other income		9	6	18	18
Other expense		(62)	(79)	(155)	(189)
Operating (loss)		(466)	(53)	(494)	(101)
Interest expense		(30)	(35)	(61)	(44)
Other financial income & expense		(6)	(8)	(16)	(16)
(Loss) before taxes		(502)	(96)	(571)	(161)
Taxes		80	(294)	92	(338)
Net (loss)		(422)	(390)	(479)	(499)
(Loss) per share					
Basic	5	(0.86)	(0.80)	(0.98)	(1.02)
Diluted	5	(0.86)	(0.80)	(0.98)	(1.02)
Weighted average number of shares outstanding (millions)					
Basic	5	489.0	488.2	488.8	488.2
Diluted	5	489.0	488.2	488.8	488.2

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 June 30		Six months ended June 30	
	2020	2019	2020	2019
Net (loss)	(422)	(390)	(479)	(499)
<i>Other comprehensive income to be eventually recycled into the consolidated income statement:</i>				
Currency translation effects	13	5	(42)	1
Total of items to eventually recycle	13	5	(42)	1
<i>Other comprehensive income never to be recycled into the consolidated income statement:</i>				
Actuarial (losses) from defined benefit plans, net of taxes ⁽¹⁾	(22)	—	(23)	(7)
Fair value adjustments on equity securities, net of taxes ⁽²⁾	—	—	(7)	(2)
Total of items never to be recycled	(22)	—	(30)	(9)
Total comprehensive (loss)	(431)	(385)	(551)	(507)

(1) Amounts are net of tax benefit of \$5 million for the three months ended June 30, 2020. Amounts are net of tax benefits of \$7 million and \$2 million for the six months ended June 30, 2020 and 2019, respectively.

(2) Amounts are net of tax benefits of \$3 million and \$5 million for the six months ended June 30, 2020 and 2019, respectively.

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

CONSOLIDATED BALANCE SHEETS (unaudited)

(\$ millions)	Note	June 30, 2020	December 31, 2019
Assets			
Non-current assets			
Property, plant & equipment		3,137	3,113
Right-of-use assets		340	324
Goodwill		8,905	8,905
Intangible assets other than goodwill	6	9,690	10,231
Deferred tax assets		355	354
Financial assets	8	233	307
Other non-current assets		188	185
Total non-current assets		22,848	23,419
Current assets			
Inventories		1,658	1,505
Trade receivables		1,171	1,390
Income tax receivables		33	17
Cash and cash equivalents		1,324	822
Other current assets		447	502
Total current assets		4,633	4,236
Total assets		27,481	27,655
Equity and liabilities			
Equity			
Share capital		20	20
Reserves		18,753	19,283
Total equity		18,773	19,303
Liabilities			
Non-current liabilities			
Financial debts	7	3,909	3,218
Lease liabilities		297	280
Deferred tax liabilities		1,228	1,386
Provisions & other non-current liabilities		1,195	1,168
Total non-current liabilities		6,629	6,052
Current liabilities			
Trade payables		781	833
Financial debts	7	235	261
Lease liabilities		64	61
Current income tax liabilities		129	107
Provisions & other current liabilities		870	1,038
Total current liabilities		2,079	2,300
Total liabilities		8,708	8,352
Total equity and liabilities		27,481	27,655

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, 2020

(\$ millions)	Share Capital	Other Reserves	Fair value adjustments on equity securities	Actuarial (losses)/gains from defined benefit plans	Cumulative currency translation effects	Total value adjustments ⁽¹⁾	Equity
Balance as of January 1	20	19,355	(25)	(72)	25	(72)	19,303
Net (loss)		(479)				—	(479)
Other comprehensive (loss)			(7)	(23)	(42)	(72)	(72)
Total comprehensive (loss)	—	(479)	(7)	(23)	(42)	(72)	(551)
Equity-based compensation		42				—	42
Other movements ⁽²⁾		2		(23)		(23)	(21)
Total other movements	—	44	—	(23)	—	(23)	21
Balance as of June 30	20	18,920	(32)	(118)	(17)	(167)	18,773

Six months ended June 30, 2019

(\$ millions)	Share Capital	Other Reserves	Former parent net investment	Fair value adjustments on equity securities	Actuarial (losses)/gains from defined benefit plans	Cumulative currency translation effects	Total value adjustments ⁽¹⁾	Equity
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 ⁽²⁾		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) "Total value adjustments" are presented net of the corresponding tax effects.

(2) Activity includes hyperinflationary accounting and an adjustment to actuarial (losses) for other post-employment benefit obligation assumption changes directly related to the Spin-off on April 9, 2019 but which was not recorded at that time.

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	
		2020	2019
Net (loss)		(479)	(499)
<i>Adjustments to reconcile net (loss) to net cash flows from operating activities</i>			
Depreciation, amortization, impairments and fair value adjustments	9.1	779	709
Equity-based compensation expense		51	28
Non-cash change in provisions and other non-current liabilities		13	15
Losses on disposal and other adjustments on property, plant & equipment and other non-current assets, net		15	4
Interest expense		61	44
Other financial income & expense		16	16
Taxes		(92)	338
Interest received		4	1
Interest paid		(50)	(28)
Other financial payments		(3)	(13)
Taxes paid		(46)	(64)
Net cash flows before working capital changes and net payments out of provisions and other non-current liabilities		269	551
Net payments out of provisions and other cash movements in non-current liabilities		(58)	(68)
Change in net current assets and other operating cash flow items	9.2	(153)	(182)
Net cash flows from operating activities		58	301
Purchase of property, plant & equipment		(168)	(206)
Purchase of intangible assets		(32)	(55)
Purchase of financial assets		(1)	(15)
Proceeds from sales of financial assets		—	1
Acquisition of business, net		—	(283)
Net cash flows used in investing activities		(201)	(558)
Movements of financing provided by former parent, net		—	(2,658)
Proceeds from non-current financial debts, net of issuance costs		744	1,745
Proceeds from Bridge Facility, net of issuance costs		—	1,495
Change in current financial debts		(59)	214
Lease payments		(33)	(22)
Change in other financial receivables from former parent		—	39
Change in other financial liabilities to former parent		—	(67)
Other financing cash flows		(17)	1
Net cash flows from financing activities		635	747
Effect of exchange rate changes on cash and cash equivalents		10	4
Net change in cash and cash equivalents		502	494
Cash and cash equivalents at January 1		822	227
Cash and cash equivalents at June 30		1,324	721

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF ALCON INC. (unaudited)

1. Basis of preparation

These Condensed Consolidated Interim Financial Statements for Alcon Inc. ("the Company") and the subsidiaries it controls (collectively, "Alcon") 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 to the December 31, 2019 Consolidated Financial Statements in the Company's 2019 Form 20-F ("Form 20-F"), except for the changes to the accounting policy related to Business Combinations which was updated as of January 1, 2020, due to the adoption of amendments to International Financial Reporting Standard ("IFRS") 3, *Business Combinations*. 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 Alcon's financial position and performance since the last annual Consolidated Financial Statements. Therefore the Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended December 31, 2019, 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.

On February 28, 2019, Novartis AG ("Novartis" or "Former Parent") shareholders at their Annual General Meeting approved the proposed 100% spin-off of Alcon 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 the Company's Registration Statement on Form 20-F filed with the Securities and Exchange Commission ("SEC") on March 22, 2019, ("2018 Form 20-F"), was declared effective by the SEC on that same day. On April 9, 2019 (the "Distribution Date"), the Company became an independent, publicly-traded company as a result of the Spin-off and the shares of the Company became 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. The 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 financial statements. Prior to the Spin-off, the 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 Alcon 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 Alcon and no longer include any allocations from Novartis.

2. Selected accounting policies

Alcon's principal accounting policies are set out in Note 3 to the Consolidated Financial Statements in the Form 20-F. The preparation 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 Consolidated 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 events or changes in circumstance indicate that the asset's balance sheet carrying amount may not be recoverable. Goodwill and other intangible assets represent a significant amount of total assets on the consolidated balance sheets. Impairment testing may lead to potentially significant impairment charges in the future, which could have a materially adverse impact on Alcon's results of operations and financial condition.

Impact of the coronavirus ("COVID-19") pandemic

An outbreak of COVID-19 has spread globally and created significant disruption to the macro-economy. In March 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption of financial markets. Most major markets implemented shelter-in-place orders, business shut-downs and the deferral of non-urgent surgeries. This has had, and we believe will continue to have, an adverse effect on our net sales, operating results and cash flow. The extent to which the COVID-19 pandemic and the related economic impact may continue to affect our financial condition or results of operations is uncertain.

We have analyzed the impact of the COVID-19 pandemic on our financial statements for the three and six months ended June 30, 2020. We have assessed various accounting estimates and other matters, including those that require consideration of forecasted financial information, in context of the unknown future impacts of COVID-19 using information reasonably available to us at this time. The accounting estimates and other matters assessed include, but were not limited to, provisions for expected credit losses, goodwill and other intangible assets, financial instruments, inventory provisions, associate benefits, income taxes and revenue recognition. Based on our assessment performed, the resulting provisions recorded were not material to our Condensed Consolidated Interim Financial Statements for the three or six months ended June 30, 2020. However, the inherent uncertainties of COVID-19 including the duration, scope, and severity of the pandemic may result in actual outcomes that differ materially from our current assumptions and estimates.

Amendments to IFRS 3, *Business Combinations*, effective as of January 1, 2020

Effective January 1, 2020, Alcon adopted the IASB's amendments to IFRS 3, *Business Combinations*. The amendments to IFRS 3 clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The amendments define a business as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

One of the key changes is the introduction of an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The introduction of the optional concentration test is a fundamental change in the determination of a business combination, applied on a transaction-by-transaction basis. Specifically, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar assets, the set is not a business.

If the initial concentration test is not met, or Alcon elects not to apply the concentration test, an assessment focusing on the existence of inputs and processes that have the ability to create outputs is required.

Alcon's adoption of the amendments to IFRS 3 applies to transactions for which the acquisition date is on or after January 1, 2020. The adoption of this amended standard on January 1, 2020 did not have a significant impact on these Condensed Consolidated Interim Financial Statements. Any future impact will depend on the facts and circumstances of future transactions and if Alcon decides to apply the optional concentration test in the assessment of whether an acquired set of activities and assets is or is not a business.

Alcon has updated the following accounting policy, effective January 1, 2020, as a result of the adoption of the amendments to IFRS 3:

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary may include:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by Alcon Inc.;
- fair value of an asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill, or directly in the income statement if it is a bargain purchase. Alcon primarily uses net present value techniques, utilizing post-tax cash flows and discount rates in calculating the fair value of net identifiable assets acquired when allocating the purchase consideration paid for the acquisition. The estimates in calculating fair values are highly sensitive and depend on assumptions, which include the amount and timing of projected cash flows, long-term sales forecasts, the timing and probability of regulatory and commercial success, and discount rate.

Acquisition related costs are expensed as incurred.

Alcon may elect on a transaction-by-transaction basis to apply the optional concentration test to assess whether a transaction qualifies as a business. Under the test, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, Alcon will account for the transaction as an asset purchase and not a business combination.

If the concentration test is not met, or Alcon elects not to apply this optional test, Alcon will perform an assessment focusing on the existence of inputs and processes that have the ability to create outputs to determine whether the transaction is an asset purchase or a business combination.

There are no other IFRS standards or interpretations not yet effective that would be expected to have a material impact on Alcon.

3. Significant transactions

Significant transactions in the six months ended June 30, 2020

Series 2030 notes issuance

On May 27, 2020, Alcon, through its wholly-owned subsidiary Alcon Finance Corporation ("AFC"), completed an offering of \$750 million of non-current financial debt consisting of 2.600% senior notes due 2030. The senior notes are described in Note 7 of these Condensed Consolidated Interim Financial Statements.

Significant transactions in 2019

Refinancing of Bridge Facility and Facility A financial debts

On September 23, 2019, Alcon, through its wholly-owned subsidiary AFC, refinanced \$2 billion of the bridge and term loans, which had been issued in April 2019, with \$500 million of 2.750% senior notes due 2026, \$1 billion of 3.000% senior notes due 2029, and \$500 million of 3.800% senior notes due 2049.

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 of these Condensed Consolidated Interim Financial Statements. 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. These borrowings increased Alcon's third party financial debts to \$3.5 billion at the date of the Spin-off. Through a series of intercompany transactions, Alcon 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 the 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 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, and 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.

4. Segmentation of key figures

The segment information disclosed in these Condensed Consolidated Interim Financial Statements reflects historical results consistent with the identifiable reportable segments of Alcon 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 reportable segments, Surgical and Vision Care. As indicated below, certain income and expenses are not allocated to segments.

Reportable segments are presented in a manner consistent with the internal reporting to the CODM. The reportable 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 reportable segments.

In Surgical, Alcon 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, Alcon 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 charges for acquired product rights or other intangibles, general and administrative expenses for corporate activities, spin readiness and separation costs, transformation costs, fair value adjustments of contingent consideration liabilities 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 a portion of the historical comparative period only, the related corporate function costs were allocated to Alcon from its Former Parent.

Other income and expense items excluded from segment contribution include fair value adjustments of financial assets in the form of options to acquire a company carried at fair value through profit and loss ("FVPL"), net gains and losses on fund investments and equity securities valued at FVPL, restructuring costs, legal settlements, integration related expenses and other income and expense items not attributed to a specific segment.

Certain income and expense items, primarily related to fair value adjustments of contingent consideration liabilities and option rights and integration related expenses, previously included in segment contribution in the prior year period have been reclassified to conform with reporting of segment contribution to the CODM in the current period. The reclassifications resulted in an increase in Surgical and Vision Care segment contribution of \$18 million and \$8 million, respectively, in the three months ended June 30, 2019 and an increase in Surgical and Vision Care segment contribution of \$23 million and \$19 million, respectively, during the six months ended June 30, 2019.

Segmentation - Consolidated income statements

Three months ended June 30, 2020 and 2019

	Surgical		Vision Care		Company	
	Three months ended June 30		Three months ended June 30		Three months ended June 30	
(\$ millions)	2020	2019	2020	2019	2020	2019
Net sales to third parties	602	1,051	596	812	1,198	1,863
Other revenues	—	—	16	40	16	40
Net sales and other revenue	602	1,051	612	852	1,214	1,903
Segment contribution	(28)	235	22	143	(6)	378
Amortization of intangible assets					(273)	(270)
Impairment charges on intangible assets					(41)	—
General & administration (corporate)					(62)	(54)
Separation costs					(62)	(78)
Transformation costs					(13)	(5)
Fair value adjustments of contingent consideration liabilities					(4)	3
Other					(5)	(27)
Operating (loss)					(466)	(53)
Interest expense					(30)	(35)
Other financial income & expense					(6)	(8)
(Loss) before taxes					(502)	(96)

Six months ended June 30, 2020 and 2019

	Surgical		Vision Care		Company	
	Six months ended June 30		Six months ended June 30		Six months ended June 30	
(\$ millions)	2020	2019	2020	2019	2020	2019
Net sales to third parties	1,586	2,051	1,434	1,589	3,020	3,640
Other revenues	—	—	35	87	35	87
Net sales and other revenues	1,586	2,051	1,469	1,676	3,055	3,727
Segment contribution	180	463	188	301	368	764
Amortization of intangible assets					(545)	(536)
Impairment charges on intangible assets					(57)	—
General & administration (corporate)					(115)	(102)
Separation costs					(133)	(78)
Spin readiness costs					—	(72)
Transformation costs					(20)	(5)
Fair value adjustments of contingent consideration liabilities					40	13
Other					(32)	(85)
Operating (loss)					(494)	(101)
Interest expense					(61)	(44)
Other financial income & expense					(16)	(16)
(Loss) before taxes					(571)	(161)

Net sales by segment

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Surgical				
Implantables	176	300	486	585
Consumables	320	588	839	1,139
Equipment/other	106	163	261	327
Total Surgical	602	1,051	1,586	2,051
Vision Care				
Contact lenses	329	493	831	991
Ocular health	267	319	603	598
Total Vision Care	596	812	1,434	1,589
Net sales to third parties	1,198	1,863	3,020	3,640

Net sales by region⁽¹⁾

(\$ millions unless indicated otherwise)	Three months ended June 30				Six months ended June 30			
	2020		2019		2020		2019	
United States	493	41%	779	42%	1,285	43%	1,516	42%
International	705	59%	1,084	58%	1,735	57%	2,124	58%
Net sales to third parties	1,198	100%	1,863	100%	3,020	100%	3,640	100%

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

5. Earnings/(Loss) per share

As of June 30, 2020, there were 489.1 million outstanding common shares, after the delivery of 0.8 million shares vesting under the equity incentive programs during the six months ended June 30, 2020. No dividends have been paid through June 30, 2020.

Basic earnings/(loss) per share is computed by dividing net income/(loss) for the period by the weighted average number of common shares outstanding during the period. For the three and six months ended June 30, 2020, the weighted average number of shares outstanding was 489.0 million and 488.8 million shares, respectively. For the three and six months ended June 30, 2019, the weighted average number of shares outstanding was 488.2 million.

The 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 months ended June 30, 2020, 2.5 million and 2.6 million unvested equity-based awards, respectively, have been excluded from the calculation of diluted loss per share as their effect would be anti-dilutive. For the three and six months ended June 30, 2019, 1.8 million and 0.9 million unvested equity-based awards, respectively, have been excluded from the calculation of diluted loss per share as their effect would be anti-dilutive.

6. Intangible assets other than goodwill

Intangible asset impairment charges

During the three months ended June 30, 2020, an impairment charge of \$41 million was recorded for a currently marketed product cash generating unit ("CGU") within the Vision Care reportable segment due to lower expected sales. The CGU was reduced to its recoverable amount of \$88 million as of June 30, 2020. Impairments during the six months ended June 30, 2020 amounted to \$57 million due to an additional \$16 million impairment of a currently marketed product in the Surgical reportable segment in the first quarter of 2020. The recoverable amount of each CGU was determined based on the fair value less cost of disposal ("FVLCD") method. FVLCD was estimated using net present value techniques utilizing post-tax cash flows and discount rates as there are no direct or indirect observable prices in active markets for identical or similar assets. The estimates used in calculating the net present value are highly sensitive and are market participant assumptions, including cash flow projections for a five-year period based on management forecasts, sales forecasts beyond the five-year period extrapolated using long-term expected inflation rates, discount rate, and future tax rate. Since the cash flow projections are a significant unobservable input, the fair value of the CGU was classified as Level 3 in the fair value hierarchy. Actual cash flows and values could vary significantly from forecasted future cash flows and related values derived using net present value techniques. The impairments were recorded in Cost of net sales in the Condensed Consolidated Income Statements. There were no intangible asset impairments in the three or six months ended June 30, 2019.

7. Non-current and current financial debts

The below table summarizes non-current and current Financial debts outstanding as of June 30, 2020 and December 31, 2019.

(\$ millions)	June 30, 2020	December 31, 2019
Non-current financial debts		
Facility B	794	793
Facility C	391	391
Local facilities (Japan)	—	55
Series 2026 notes	495	495
Series 2029 notes	991	991
Series 2030 notes	744	—
Series 2049 notes	494	493
Revolving facility	—	—
Total non-current financial debts	3,909	3,218
Current financial debts		
Local facilities:		
Japan	137	115
All others	71	101
Other short-term financial debts	26	29
Derivatives	1	16
Total current financial debts	235	261
Total financial debts	4,144	3,479

In January 2020, the \$1.0 billion Revolving Facility was extended to March 2025. The Revolving Facility remained undrawn as of June 30, 2020.

Interest expense recognized for Financial debts, excluding lease liabilities, was \$23 million and \$46 million for the three and six months ended June 30, 2020, respectively, and \$27 million and \$31 million for the three and six months ended June 30, 2019, respectively.

Series 2030 notes

On May 27, 2020, AFC issued senior notes due in 2030 ("Series 2030 Notes"), which are guaranteed by the Company. The Series 2030 Notes are unsecured senior obligations of AFC issued in a private placement and rank equally in right of payment with the Series 2026, Series 2029, and Series 2049 notes. The total notional amount of the Senior 2030 Notes is \$750 million. The Senior 2030 Notes were issued at 99.843% with 2.600% interest payable twice per year in May and November, beginning in November 2020. The Series 2030 Notes were issued at a discount totaling \$1 million, which was recorded as a reduction to the carrying value of the Series 2030 notes and will be amortized to Interest expense over the term of the Series 2030 Notes. AFC incurred \$5 million of debt issuance costs, which were recorded as a reduction to the carrying value of the Series 2030 Notes and will be amortized to Other financial income & expense over the term of the Series 2030 Notes.

The Series 2030 Notes are classified as non-current and are measured at amortized cost and are reported in Financial debts in these Condensed Consolidated Interim Financial Statements.

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 judgment associated with the inputs to derive fair value for these financial assets and liabilities, which are as follows:

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

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

Level 1 financial assets include money market funds and deferred compensation assets. There were no financial liabilities carried at Level 1 fair value, and Level 2 financial assets and liabilities include derivative financial instruments.

Investments in money market funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The investments are classified as Cash & cash equivalents within our Condensed Consolidated Balance Sheets.

Deferred compensation investments for certain employee benefit plans are held in a rabbi trust and dedicated to pay the benefits under the associated plans but are not considered plan assets as the assets remain available to creditors of Alcon in certain events, including bankruptcy. Rabbi trust assets primarily consist of investments in mutual funds. These assets are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

Level 3 inputs are unobservable for the financial asset or liability. The financial assets and liabilities generally included in Level 3 fair value hierarchy are equity securities and convertible notes receivable measured at fair value through other comprehensive income ("FVOCI"), and fund investments, options to acquire private companies, and contingent consideration liabilities measured at fair value through profit and loss ("FVPL").

The below tables summarize financial assets and liabilities measured at fair value on a recurring basis or at amortized cost or cost as of June 30, 2020 and December 31, 2019.

	June 30, 2020				
(\$ millions)	Level 1	Level 2	Level 3	Valued at amortized cost or cost ⁽³⁾	Total
Non-current financial assets					
Long-term financial investments measured at FVOCI	—	—	21	—	21
Long-term financial investments measured at FVPL	—	—	27	—	27
Long-term receivables from customers	—	—	—	107	107
Deferred compensation assets ⁽¹⁾	118	—	—	—	118
Non-current minimum lease payments from finance lease agreements	—	—	—	59	59
Long-term loans, advances, and security deposits	—	—	—	19	19
Total non-current financial assets	118	—	48	185	351
Current financial assets					
Money market funds	795	—	—	—	795
Current portion of long-term financial investments measured at FVPL ⁽²⁾	—	—	14	—	14
Current portion of long-term receivables from customers ⁽²⁾	—	—	—	116	116
Current portion of minimum lease payments from finance lease agreements ⁽²⁾	—	—	—	41	41
Other receivables, security deposits and current assets ⁽²⁾	—	—	—	127	127
VAT receivables ⁽²⁾	—	—	—	48	48
Derivative financial instruments ⁽²⁾	—	2	—	—	2
Total current financial assets	795	2	14	332	1,143
Total financial assets at fair value and amortized cost or cost	913	2	62	517	1,494
Financial liabilities					
Contingent consideration liabilities	—	—	(192)	—	(192)
Non-current financial debt	—	—	—	(3,909)	(3,909)
Current financial debt	—	—	—	(234)	(234)
Derivative financial instruments	—	(1)	—	—	(1)
Total financial liabilities at fair value and amortized cost	—	(1)	(192)	(4,143)	(4,336)

(1) Recorded in Other non-current assets.

(2) Recorded in Other current assets.

(3) Carrying amount is a reasonable approximation of fair value, with the exception of Series 2026, 2029, 2030, and 2049 notes recorded in Non-current financial debt with a fair value of \$2,921 million and a carrying value of \$2,724 million as of June 30, 2020. The fair value of notes was determined using level 2 inputs. The notes were valued using the quoted market price for such notes, which have low trading volumes.

	December 31, 2019				
(\$ millions)	Level 1	Level 2	Level 3	Valued at amortized cost or cost ⁽³⁾	Total
Non-current financial assets					
Long-term financial investments measured at FVOCI	—	—	31	—	31
Long-term financial investments measured at FVPL	—	—	28	—	28
Long-term receivables from customers	—	—	—	136	136
Deferred compensation assets ⁽¹⁾	122	—	—	—	122
Non-current minimum lease payments from finance lease agreements	—	—	—	78	78
Long-term loans, advances, and security deposits	—	—	—	34	34
Total non-current financial assets	122	—	59	248	429
Current financial assets					
Money market funds	120	—	—	—	120
Current portion of long-term financial investments measured at FVPL ⁽²⁾	—	—	33	—	33
Current portion of long-term receivables from customers ⁽²⁾	—	—	—	122	122
Current portion of minimum lease payments from finance lease agreements ⁽²⁾	—	—	—	46	46
Other receivables, security deposits and current assets ⁽²⁾	—	—	—	147	147
VAT receivables ⁽²⁾	—	—	—	64	64
Derivative financial instruments ⁽²⁾	—	1	—	—	1
Total current financial assets	120	1	33	379	533
Total financial assets at fair value and amortized cost or cost	242	1	92	627	962
Financial liabilities					
Contingent consideration liabilities	—	—	(243)	—	(243)
Non-current financial debt	—	—	—	(3,218)	(3,218)
Current financial debt	—	—	—	(245)	(245)
Derivative financial instruments	—	(16)	—	—	(16)
Total financial liabilities at fair value and amortized cost	—	(16)	(243)	(3,463)	(3,722)

(1) Recorded in Other non-current assets.

(2) Recorded in Other current assets.

(3) Carrying amount is a reasonable approximation of fair value, with the exception of Series 2026, 2029, and 2049 notes recorded in Non-current financial debt with a fair value of \$2,049 million and a carrying value of \$1,979 million as of December 31, 2019. The fair value of notes was determined using level 2 inputs. The notes were valued using the quoted market price for such notes, which have low trading volumes.

The carrying amount is a reasonable approximation of fair value for all other financial assets and liabilities as of June 30, 2020, 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, 2020.

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

Financial assets

(\$ millions)	Long-term financial investments measured at FVOCI		Financial investments measured at FVPL	
	2020	2019	2020	2019
Balance as of January 1	31	19	61	98
Additions	—	8	—	1
Cash receipts and payments	—	—	—	—
(Losses) recognized in consolidated statements of comprehensive (loss)/income	(10)	(7)	—	—
Gain/(losses) in consolidated income statements	—	—	3	3
Amortization	—	—	(23)	(29)
Reclassification	—	2	—	—
Balance as of June 30	21	22	41	73

Financial liabilities

(\$ millions)	Contingent consideration liabilities	
	2020	2019
Balance as of January 1	(243)	(162)
Additions	—	(135)
Accretion for passage of time	(9)	(9)
Adjustments for changes in assumptions	40	13
Payments	20	—
Balance as of June 30	(192)	(293)

Changes in contingent consideration liabilities in the current year period include adjustments for changes in assumptions of \$40 million primarily related to revised expectations for achievement of commercial milestones and timing of settlement for development milestones, and a payment of \$20 million related to achievement of a development milestone. As of June 30, 2020, the maximum remaining potential payments related to contingent consideration from business combinations is \$490 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 contingent consideration liabilities in the prior year period included additions of \$135 million related to the acquisition of PowerVision in March 2019 as described in Note 3 of these Condensed Consolidated Interim Financial Statements. The prior year period also included changes in assumptions of \$13 million primarily related to the expected timing of settlement for development milestones.

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 2033 for contingent consideration obligations as of June 30, 2020.

Derivatives

As of June 30, 2020, the net value of unsettled positions for derivative forward contracts and swaps was \$1 million, including \$2 million of unrealized gains in Other current assets and \$1 million of unrealized losses in Current financial debts. As of December 31, 2019, the net value of unsettled positions for derivative forward contracts and swaps was \$15 million, including \$1 million of unrealized gains in Other current assets and \$16 million of unrealized losses in Current financial debts. There are master agreements with several banking counterparties for derivatives financial instruments, however, there were no derivative financial instruments meeting the offsetting criteria under IFRS as of June 30, 2020 or December 31, 2019.

Nature and extent of risks arising from financial instruments

Note 18 to the Consolidated Financial Statements in the Form 20-F contains a summary of the nature and extent of risks arising from financial instruments. Since the date of the Form 20-F, COVID-19 has resulted in updates to our assessment of the nature and extent of certain risks arising from financial instruments, as outlined below. There have been no other significant changes in the nature and extent of risks arising from financial instruments or corresponding risk management policies since the date of the Form 20-F.

Credit risk

Credit risks arise from the possibility that customers may not be able to settle their obligations as agreed. To manage this risk, Alcon periodically assesses credit risk, assigns individual credit limits, and takes actions to mitigate credit risk where appropriate.

With the continued adverse economic conditions in relation to the COVID-19 pandemic, there is an increased credit risk due to an increase in expected credit losses. Provisions for expected credit losses have been reflected in the financial statements as of June 30, 2020. Alcon will continue to assess forward-looking estimates of potential increased default rates and potential increase in lifetime expected credit losses.

Liquidity risk

Liquidity risk is defined as the risk that Alcon could not be able to settle or meet its obligations on time or at a reasonable price. Alcon Treasury is responsible for liquidity, funding and settlement management. In addition, liquidity and funding risks, and related processes and policies, are overseen by management. Alcon manages its liquidity risk on a consolidated basis according to business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of financing in order to maintain flexibility. Management monitors Alcon's net debt or liquidity position through rolling forecasts on the basis of expected cash flows.

Since March 2020, Alcon has experienced delayed collections from customers. With the continued adverse economic conditions in relation to the COVID-19 pandemic, there is an increased liquidity risk due to further potential delays or reductions in collections from our customers or increased difficulties in accessing the capital or debt markets. In response to the increased liquidity risk, on May 27, 2020, AFC completed an offering of \$750 million of 2.600% senior notes due in 2030, increasing Alcon's overall liquidity. In addition, Alcon's revolving credit facility with total availability of \$1.0 billion remained undrawn as of June 30, 2020 with no current limitations on borrowing, and management has not identified any changes in Alcon's ability to access the capital or debt markets.

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	
	2020	2019
Property, plant & equipment	142	129
Right-of-use assets	38	29
Intangible assets	602	536
Financial assets	(3)	15
Total	779	709

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

(\$ millions)	Six months ended June 30	
	2020	2019
(Increase) in inventories	(192)	(57)
Decrease/(increase) in trade receivables	185	(122)
Increase/(decrease) in trade payables	(71)	134
Net change in other current assets	77	(73)
Net change in other current liabilities	(152)	(64)
Total	(153)	(182)

10. Equity-based compensation

As described in Note 24 to the Consolidated Financial Statements in the Form 20-F, Alcon has various equity incentive plans, under which Alcon may grant awards in the form of restricted stock units ("RSUs"), performance-based restricted stock units ("PSUs"), restricted stock awards ("RSAs"), or any other form of award at the discretion of the Board. Certain associates in select countries may also participate in share ownership savings plans.

Prior to the Spin-off, Alcon associates participated in Novartis' equity-based participation plans, which included stock options, RSUs, PSUs, RSAs and certain share ownership savings plans. Such awards were settled in shares or options of the Former Parent. For the period prior to Spin-off, the Condensed Consolidated Income Statements reflect the compensation expense for the Novartis' equity-based incentive plans in which Alcon associates participated.

The below table summarizes unvested share movements for all Alcon equity-based incentive plans for the six months ended June 30, 2020 and from the date of the Spin-off through June 30, 2019 for the prior year:

(shares in millions)	Six months ended June 30	
	2020	2019
Unvested at January 1	4.7	—
Replacement awards issued at Spin-off(1)	—	4.2
Granted	2.0	0.6
Vested	(1.0)	—
Forfeited	(0.2)	—
Unvested at June 30	5.5	4.8

(1) Alcon issued 4.2 million unvested equity-based awards to replace forfeited unvested Novartis awards at the time of the Spin-off.

11. Related parties transactions

Prior to the Spin-off, the Alcon business was a segment of Novartis such that transactions with Novartis were considered related party transactions. In connection with the Spin-off, 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 during 2019 and 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 Alcon's business, have been retained in the historical condensed consolidated financial statements. The ultimate controlling parent of both, the other Novartis Group companies and Alcon's business, was Novartis AG until the Spin-off.

(\$ millions)	Six months ended June 30, 2019(1)
Contract manufacturing revenues from former parent	47
Purchases of Alcon from former parent	19

(1) Activity presented strictly relates to the period during which Novartis was a related party (prior to the Spin-off on 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 Alcon'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.

Corporate Overhead and Other Allocations from Novartis

Services provided by Novartis Group to Alcon 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 Alcon were performed on a reasonable basis and reflect the services received by Alcon and the cost incurred on behalf of Alcon. Although the Condensed Consolidated Interim Financial Statements reflect management's best estimate of all historical costs related to Alcon, this may however not necessarily reflect what the results of operations, financial position, or cash flows would have been had Alcon been a separate entity, nor the future results of Alcon 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, wrongful discharge, antitrust, securities, health and safety, environmental, tax, international trade, privacy, and intellectual property matters. As a result, Alcon may become subject to substantial liabilities that may not be covered by insurance and could affect our business, financial position and reputation. While Alcon 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, Alcon 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 19 to the Consolidated 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 18, 2020 of significant developments in those proceedings as well as any new significant proceedings commenced since the date of the Form 20-F.

Asia / Russia investigation

In 2017 and 2018, Alcon and Novartis Group companies, as well as certain present and former executives and associates of Alcon and Novartis, received document requests and subpoenas from the US Department of Justice ("DoJ") and the SEC requesting information concerning Alcon accounting, internal controls and business practices in Asia and Russia, including revenue recognition for surgical equipment and related products and services and relationships with third party distributors, both before and after Alcon became part of the Novartis Group. The Investigations by the DoJ and the SEC have concluded. On June 25, 2020, Alcon entered into a three-year Deferred Prosecution Agreement with the DoJ regarding a charge that Alcon Pte Ltd. conspired to falsify financial books and records in violation of the US Foreign Corrupt Practices Act. The charge relates to payments made by a former distributor to health care providers in Vietnam between 2007 and 2014. Alcon agreed to pay the DoJ a penalty of \$8.925 million, for which Novartis has indemnified Alcon under the Separation and Distribution Agreement.

JJSVI patent dispute

On June 23, 2020, Johnson & Johnson Surgical Vision, Inc. ("JJSVI"), acting through its subsidiaries, filed a patent infringement action in the US District Court in Delaware alleging that the manufacture, use, sale, offer for sale, and/or importation of Alcon's *LenSx Laser System* willfully infringes, directly and/or indirectly, one or more claims of 12 US patents. Also on June 23, 2020, JJSVI filed a claim in Mannheim, Germany, alleging that Alcon directly

infringes one European patent through its manufacture and sale of LenSx. In these cases, JJVI seeks monetary and injunctive relief. Alcon intends to defend the cases vigorously.

TCPA matter

In April 2016, a putative class action lawsuit was filed in Illinois federal court alleging that the defendants, Alcon and Novartis Pharmaceuticals Corporation ("NPC"), sent unsolicited facsimiles in violation of the Telephone Consumer Protection Act, and seeking to certify a representative putative nationwide class of affected consumers. The parties have settled the matter on terms that will dispose of all claims and will require no payments by Alcon.

In addition to the matters described above, there have been other developments in the other legal matters described in Note 19 to the Consolidated Financial Statements in the Form 20-F. However, the developments during the first six months of 2020 did 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 Audit & Risk Committee on August 18, 2020.

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

Core results

Alcon core results, including core operating income and core net income, exclude all amortization and impairment charges of intangible assets, excluding software, net gains and losses on fund investments and equity securities valued at fair value through profit and loss ("FVPL"), fair value adjustments of financial assets in the form of options to acquire a company carried at FVPL, obligations related to product recalls, and certain acquisition related items. The following items that exceed a threshold of \$10 million and are deemed exceptional are also excluded from core results: integration and divestment related income and expenses, divestment gains and losses, restructuring charges/releases and related items, legal related items, gains/losses on early extinguishment of debt or debt modifications, impairments of property, plant and equipment and software, as well as income and expense items that management deems exceptional and that are or are expected to accumulate within the year to be over a \$10 million threshold.

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

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

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

Constant currencies

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

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

- 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. Alcon management primarily uses EBITDA together with net liquidity/(debt) to monitor leverage associated with financial debts.

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

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

Three months ended June 30, 2020

(\$ millions except (loss) per share)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Separation costs ⁽³⁾	Transformation costs ⁽⁴⁾	Other items ⁽⁵⁾	Core Results
Gross profit	345	250	41	4	—	14	654
Selling, general & administration	(595)	—	—	6	—	—	(589)
Research & development	(163)	8	—	—	—	9	(146)
Other income	9	—	—	—	—	(3)	6
Other expense	(62)	—	—	52	13	(7)	(4)
Operating (loss)	(466)	258	41	62	13	13	(79)
(Loss) before taxes	(502)	258	41	62	13	13	(115)
Taxes ⁽⁶⁾	80	(43)	(10)	(11)	(3)	(1)	12
Net (loss)	(422)	215	31	51	10	12	(103)
Basic (loss) per share	(0.86)						(0.21)
Diluted (loss) per share	(0.86)						(0.21)
Basic - weighted average shares outstanding ⁽⁷⁾	489.0						489.0
Diluted - weighted average shares outstanding ⁽⁷⁾	489.0						489.0

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

(2) Includes impairment charges related to intangible assets.

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

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

(5) Gross profit includes losses on disposal of property, plant & equipment and a fair value adjustment of a contingent consideration liability. Research & development includes amortization of option rights. Other income and expense include fair value adjustments of financial assets.

(6) Total tax adjustments of \$68 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$387 million totaled \$67 million with an average tax rate of 17.3%.

(7) Core basic and diluted loss per share are calculated using the weighted-average shares of common stock outstanding during the period.

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

Three months ended June 30, 2019

(\$ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Separation costs ⁽²⁾	Transformation costs ⁽³⁾	Other items ⁽⁴⁾	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	5	3	(11)
Operating (loss)/income	(53)	258	78	5	22	310
(Loss)/income before taxes	(96)	258	78	5	22	267
Taxes ⁽⁵⁾	(294)	(36)	(18)	(1)	313	(36)
Net (loss)/income	(390)	222	60	4	335	231
Basic (loss)/earnings per share	(0.80)					0.47
Diluted (loss)/earnings per share	(0.80)					0.47
Basic - weighted average shares outstanding ⁽⁶⁾	488.2					488.2
Diluted - weighted average shares outstanding ⁽⁶⁾	488.2					490.0

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

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

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

(4) 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 \$5 million for fair value adjustments of a financial asset and other items.

(5) Total tax adjustments of \$258 million include 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.

(6) Core basic earnings per share was calculated using the 488.2 million weighted-average shares of common stock outstanding for the three months ended June 30, 2019. Core diluted earnings per share also contemplate dilutive shares of 1.8 million associated with unvested equity-based awards as described in Note 5 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)

Six months ended June 30, 2020

(\$ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Separation costs ⁽³⁾	Transformation costs ⁽⁴⁾	Other items ⁽⁵⁾	Core Results
Gross profit	1,217	502	57	7	—	4	1,787
Selling, general & administration	(1,272)	—	—	9	—	—	(1,263)
Research & development	(302)	15	—	—	—	(11)	(298)
Other income	18	—	—	—	—	(3)	15
Other expense	(155)	—	—	117	20	—	(18)
Operating (loss)/income	(494)	517	57	133	20	(10)	223
(Loss)/income before taxes	(571)	517	57	133	20	(10)	146
Taxes ⁽⁶⁾	92	(87)	(14)	(24)	(4)	7	(30)
Net (loss)/income	(479)	430	43	109	16	(3)	116
Basic (loss)/earnings per share	(0.98)						0.24
Diluted (loss)/earnings per share	(0.98)						0.24
Basic - weighted average shares outstanding ⁽⁷⁾	488.8						488.8
Diluted - weighted average shares outstanding ⁽⁷⁾	488.8						491.4

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

(2) Includes impairment charges related to intangible assets.

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

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

(5) Gross profit includes \$9 million losses on disposal of property, plant & equipment partially offset by a \$5 million fair value adjustment of a contingent consideration liability. Research & development includes a \$34 million fair value adjustment of a contingent consideration liability, partially offset by \$23 million for the amortization of option rights. Other income primarily includes fair value adjustments of a financial asset.

(6) Total tax adjustments of \$122 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$717 million totaled \$132 million with an average tax rate of 18.4%.

Core tax adjustments for discrete items totaled \$10 million, primarily related to tax expense from the delayed spin of a subsidiary.

(7) Core basic earnings per share is calculated using the weighted-average shares of common stock outstanding during the period. Core diluted earnings per share also contemplate dilutive shares of 2.6 million associated with unvested equity-based awards as described in Note 5 to the Condensed Consolidated Interim Financial Statements, yielding 491.4 million weighted-average diluted shares for the six months ended June 30, 2020.

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⁾	Transformation costs ⁽³⁾	Legal items ⁽⁴⁾	Other items ⁽⁵⁾	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	5	32	59	(33)
Operating (loss)/income	(101)	513	78	5	32	97	624
(Loss)/income before taxes	(161)	513	78	5	32	97	564
Taxes ⁽⁶⁾	(338)	(70)	(18)	(1)	(8)	349	(86)
Net (loss)/income	(499)	443	60	4	24	446	478
Basic (loss)/earnings per share	(1.02)						0.98
Diluted (loss)/earnings per share	(1.02)						0.98
Basic - weighted average shares outstanding ⁽⁷⁾	488.2						488.2
Diluted - weighted average shares outstanding ⁽⁷⁾	488.2						489.1

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

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

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

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

(5) Gross Profit includes spin readiness costs and manufacturing sites consolidation activities. Selling, general & administration includes expenses for spin readiness costs and 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.

(6) 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 \$301 million in 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 legal entity reorganizations executed related to the Spin-off, partially offset by net changes in uncertain tax positions.

(7) Core basic earnings per share was 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 5 to the Condensed Consolidated Interim Financial Statements, yielding 489.1 million weighted-average diluted shares for the six months ended June 30, 2019.

EBITDA

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Net (loss)	(422)	(390)	(479)	(499)
Taxes	(80)	294	(92)	338
Depreciation of property, plant & equipment	73	65	141	129
Depreciation on right-of-use assets	19	15	38	29
Amortization of intangible assets	273	270	545	536
Impairments of property, plant & equipment, and intangible assets	42	—	58	—
Interest expense	30	35	61	44
Other financial income & expense	6	8	16	16
EBITDA	(59)	297	288	593

Cash flow and net (debt)/liquidity

(\$ millions)	Six months ended June 30	
	2020	2019
Net cash flows from operating activities	58	301
Net cash flows used in investing activities	(201)	(558)
Net cash flows from financing activities	635	747
Effect of exchange rate changes on cash and cash equivalents	10	4
Net change in cash and cash equivalents	502	494
Change in derivative financial instrument assets	1	1
Change in current and non-current financial debts	(665)	(3,475)
Change in other financial liabilities to former parent	—	67
Change in other financial receivables from former parent	—	(39)
Change in net (debt)	(162)	(2,952)
Net (debt)/liquidity at January 1	(2,656)	152
Net (debt) at June 30	(2,818)	(2,800)

Net (debt)/liquidity

(\$ millions)	At June 30, 2020	At December 31, 2019
Current financial debt	(235)	(261)
Non-current financial debt	(3,909)	(3,218)
Total financial debt	(4,144)	(3,479)
Less liquidity:		
Cash and cash equivalents	1,324	822
Derivative financial instruments	2	1
Total liquidity	1,326	823
Net (debt)	(2,818)	(2,656)

Free cash flow

The following is a summary of free cash flow for the six months ended June 30, 2020 and 2019, together with a reconciliation to net cash flows from operating activities, the most directly comparable IFRS measure:

(\$ millions)	Six months ended June 30	
	2020	2019
Net cash flows from operating activities	58	301
Purchase of property, plant & equipment	(168)	(206)
Free cash flow	(110)	95

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,” “target,” “assume,” “believe,” “project,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “should,” “will” and similar references to future periods. Examples of forward-looking statements include, among others, statements Alcon makes regarding its liquidity, revenue, gross margin, effective tax rate, foreign currency exchange movements, earnings per share, its plans and decisions relating to various capital expenditures, capital allocation priorities and other discretionary items, and generally, its expectations concerning its future performance and the effects of the COVID-19 pandemic on its businesses.

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 effect of the COVID-19 pandemic as well as other viral or disease outbreaks; the commercial success of its products and its ability to maintain and strengthen its position in its markets; the success of its research and development efforts, including its ability to innovate to compete effectively; its success in completing and integrating strategic acquisitions; pricing pressure from changes in third party payor coverage and reimbursement methodologies; global economic, financial, legal, tax, political, and social change; the ability to obtain regulatory clearance and approval of its products as well as compliance with any post-approval obligations, including quality control of its manufacturing; ongoing industry consolidation; its ability to properly educate and train healthcare providers on its products; changes in inventory levels or buying patterns of its customers; its reliance on sole or limited sources of supply; ability to service its debt obligations; the need for additional financing through the issuance of debt or equity; its reliance on outsourcing key business functions; its ability to protect its intellectual property; the impact on unauthorized importation of its products from countries with lower prices to countries with higher prices; the effects of litigation, including product liability lawsuits; its ability to comply with all laws to which it may be subject; effect of product recalls or voluntary market withdrawals; data breaches; the implementation of its enterprise resource planning system; its ability to attract and retain qualified personnel; the accuracy of its accounting estimates and assumptions, including pension plan obligations and the carrying value of intangible assets; 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; its ability to operate as a stand-alone company; whether the transitional services Novartis has agreed to provide Alcon are sufficient; the impact of being listed on two stock exchanges; the ability to declare and pay dividends; the different rights afforded to its shareholders as a Swiss corporation compared to a US corporation; and the effect of maintaining or losing its foreign private issuer status under US securities laws. Additional factors are discussed in Alcon’s filings with the United States Securities and Exchange Commission, including its Form 20-F and its Form 6-K furnished on May 12, 2020. 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.

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