



Alcon

3Q21 Earnings Presentation

November 10, 2021

Legal disclaimers

Forward-looking statements

This document contains, and our officers and representatives may from time to time make, certain “forward-looking statements” within the meaning of the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “anticipate,” “intend,” “commitment,” “look forward,” “maintain,” “plan,” “goal,” “seek,” “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, operating margin, effective tax rate, foreign currency exchange movements, earnings per share, its plans and decisions relating to various capital expenditures, capital allocation priorities and other discretionary items, market growth assumptions, plans and decisions relating to the acquisition of Ivantis, Inc., the manufacture, distribution, marketing and/or sale of the Hydrus® Microstent, the ability of Alcon to execute on these plans, 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 as: the effect of the COVID-19 pandemic as well as other viral or disease outbreaks and the availability and the public’s acceptance of vaccines; 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 and regional economic, financial, legal, tax, political, and social change; data breaches or other disruptions of its information technology systems; 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; the impact of a disruption in its global supply chain or important facilities; ability to service its debt obligations; its ability to comply with the US Foreign Corrupt Practices Act of 1977 and other applicable anti-corruption laws, particularly given that it has entered into a three-year Deferred Prosecution Agreement with the US Department of Justice; uncertainty and impact relating to the potential phasing out of LIBOR and transition to alternative reference rates; 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 of unauthorized importation of its products from countries with lower prices to countries with higher prices; uncertainties regarding the success of Alcon’s separation and spin-off from Novartis and the subsequent transformation program, including the expected separation and transformation costs, as well as any potential savings, incurred or realized by Alcon; the effects of litigation, including product liability lawsuits and government investigations; its ability to comply with all laws to which it may be subject; effect of product recalls or voluntary market withdrawals; 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; the ability to obtain regulatory clearance and approval of its products as well as compliance with any post-approval obligations, including quality control of its manufacturing; legislative and regulatory reform; the ability of Alcon Pharmaceuticals Ltd. to comply with its investment tax incentive agreement with the Swiss State Secretariat for Economic Affairs in Switzerland and the Canton of Fribourg, Switzerland; its ability to manage environmental, social and governance matters to the satisfaction of its many stakeholders, some of which may have competing interests; its ability to operate as a stand-alone company; whether the transitional services Novartis has agreed to provide Alcon are sufficient; the impact of the spin-off from Novartis on Alcon’s shareholder base; the 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. Should one or more of these uncertainties or risks materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated. Therefore, you should not rely on any of these forward-looking statements.

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

Intellectual property

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Non-IFRS measures

Alcon uses certain non-IFRS metrics when measuring performance, including when measuring current period results against prior periods, including core results, percentage changes measured in constant currencies, and free cash flow. Because of their non-standardized definitions, the non-IFRS measures (unlike IFRS measures) may not be comparable to the calculation of similar measures of other companies. These non-IFRS measures are presented solely to permit investors to more fully understand how Alcon management assesses underlying performance. These non-IFRS measures are not, and should not be viewed as, a substitute for IFRS measures.

Agenda

01 Key topics

02 IFRS results

03 Core results

Key topics

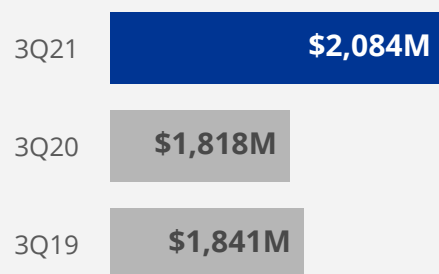
Key topics

- Strong growth driven by innovation, commercial execution and market recovery; all sales categories in both Surgical and Vision Care grew over 2019
- Growing faster than the market; stand to capture an outsized benefit as markets recover
- Expanding our presence in surgical glaucoma with intended acquisition of Ivantis
- Market strength in US, recovery underway in Europe; expect total global markets to be at 2019 levels by year-end
- Investing in innovation, new product launches and contact lens manufacturing capacity to meet demand
- Challenging macroeconomic environment persists

3Q21 select financial highlights

Top line

Third party sales



3Q21 sales of \$2.1B, up +13% cc¹ vs. 3Q19, with growth across all five sales categories

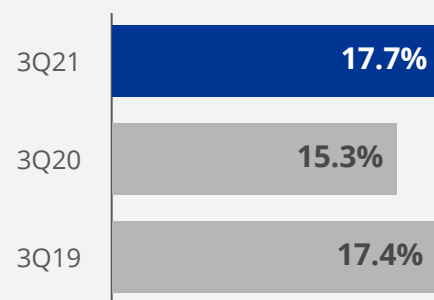
Growth driven by innovation, commercial execution and market recovery

Surgical driven by strength in ATIOLs and equipment

Vision Care driven by strong demand for new contact lenses and eye drops

Profitability

Core operating margin¹



Core operating margin up 30 bps vs. 3Q19

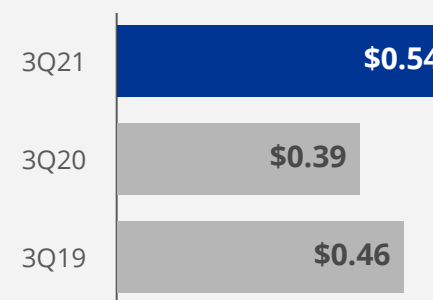
Operating leverage from sales growth exceeding increases in SG&A vs. 3Q19

40 bps positive impact from FX vs. 3Q20

30 bps negative impact from FX vs. 3Q19

Core EPS

Core diluted EPS¹

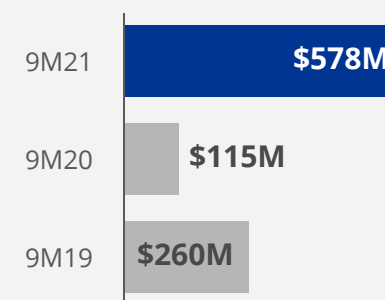


3Q21 core diluted EPS of \$0.54, up 8 cents vs. 3Q19 primarily driven by operating leverage from higher sales

3Q20 primarily impacted by COVID-19 and inventory provisions

Cash generation

Free cash flow¹



9M21 cash from operations of \$958 million

Higher free cash flow vs. 9M19 driven by higher core operating income and lower separation spend, partially offset by increased inventory and capex

Expanding Alcon's leadership in clinic-to-OR connectivity with *SMARTCataract*

- Comprehensive surgical cloud-based platform designed specifically for surgical ophthalmic practices
- Furthers leadership in clinic-to-OR integration with image-guided technologies and cloud-based planning
- *SMARTCataract* connects data systems and diagnostic devices with cataract from the clinic through the OR and back
- Next step in the evolution of Alcon's equipment ecosystem, enhances the value of *Argos* biometer in the clinic and *LuxOR Revalia* microscope in the OR
- Reducing clinical burden, increasing confidence to support decision-making for surgeons



Alcon is expanding in the surgical glaucoma market with intended acquisition of Ivantis



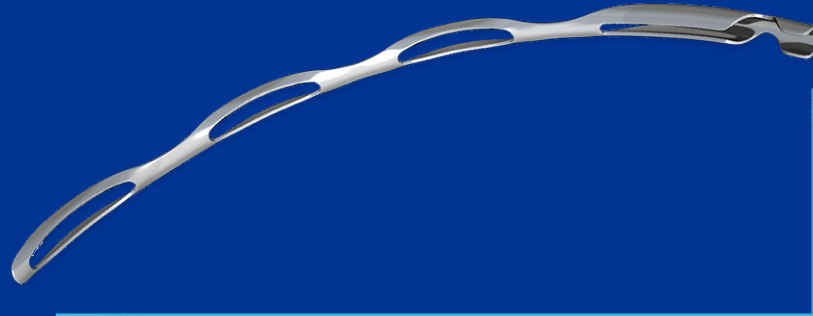
Normal vision²



The same scene as viewed by a person with glaucoma²

- Glaucoma is the 2nd largest cause of blindness after cataracts and impacts 75M+ people globally¹
- Minimally-invasive glaucoma surgery (MIGS) procedure performed in combination with cataract procedure (combo-cataract) or standalone
- \$500M market³ with significant growth opportunity
- Further strengthens our industry-leading portfolio across cataract, refractive, retina and glaucoma
- Leverages our global commercial footprint and development capabilities
- Ivantis's Hydrus® Microstent commercialized in six markets
- Hydrus® has a combo-cataract indication in the US and both combo-cataract and standalone indications in select markets internationally
- Pipeline products and follow-on standalone indications in development

1. Source: World Health Organization, 2019.
2. Image: National Institutes of Health and National Eye Institute.
3. Source: 2021 MarketScope. Includes MIGS and Canal Surgery Devices.



8 mm in length, contoured to match the curvature of Schlemm's canal, and made of nitinol — a material proven to be highly biocompatible

Safety & efficacy, and financial considerations



Safety & Efficacy

- Strong safety and efficacy profile evidenced by clinical study data on Hydrus® Microstent
- Five year pivotal data, the longest continuous follow-up of a MIGS device
- Compelling effectiveness and sustained treatment duration
 - 65% of patients medication free at 5 years
 - 5-year reduction in intraocular pressure and subsequent invasive glaucoma surgery vs. cataract only



Financial Considerations

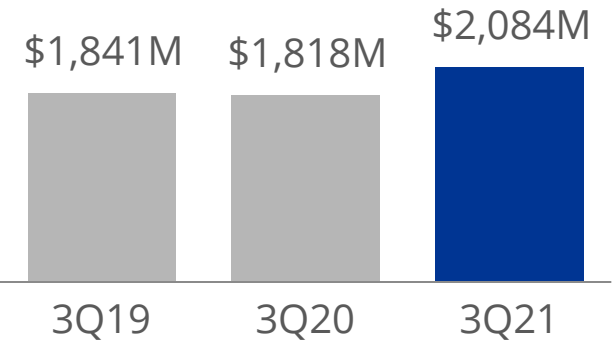
- Purchase price: \$475M up front cash, plus potential payments contingent upon development and commercial milestones
- Estimated 2021 sales of approximately \$60M
- Broadly neutral to core operating income in 2022 and accretive in 2023
- Includes recent CMS reimbursement coverage ruling
- Transaction anticipated close in 1Q22, subject to customer closing conditions, including regulatory review

IFRS results

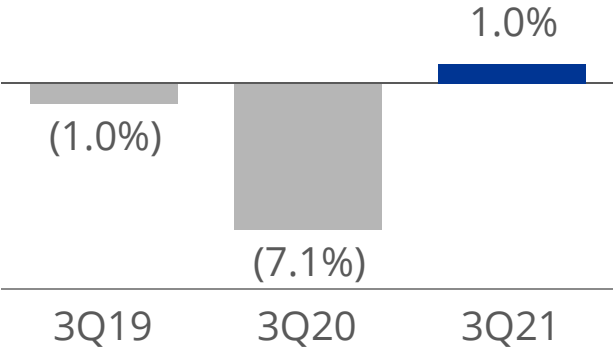
IFRS results

3Q21

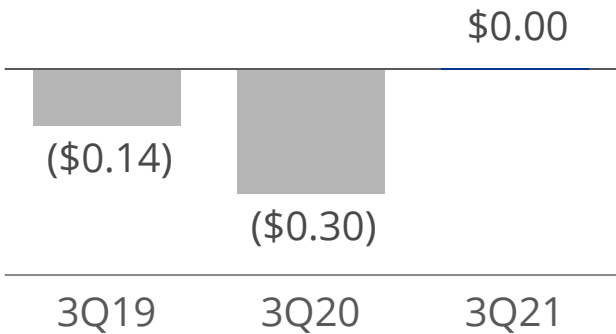
Worldwide net sales



Operating margin

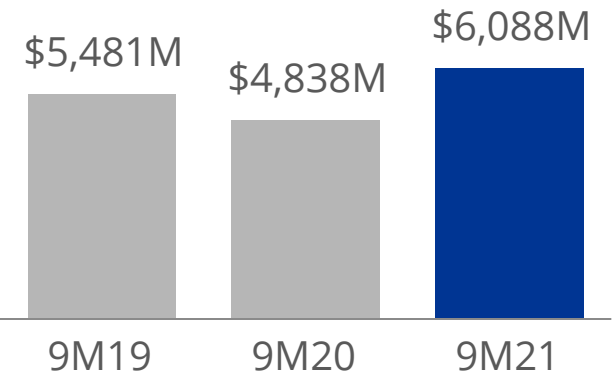


EPS

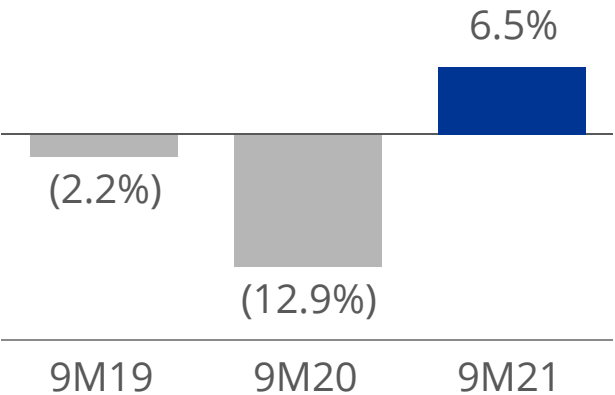


9M21

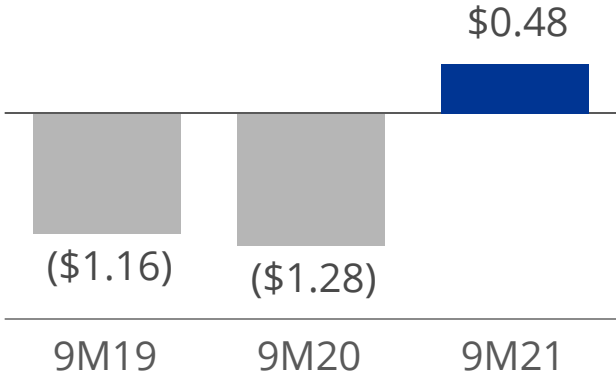
Worldwide net sales



Operating margin

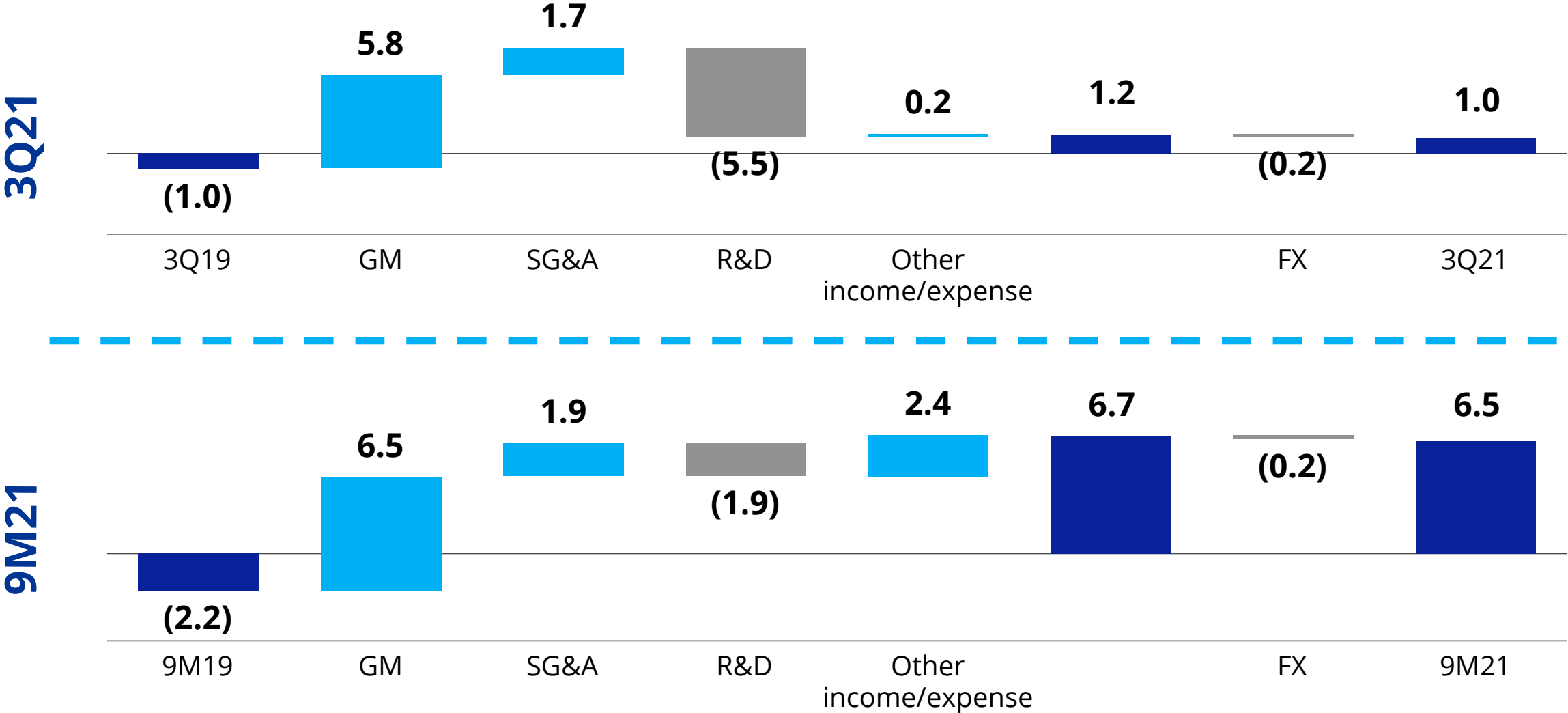


EPS



IFRS operating margin bridge

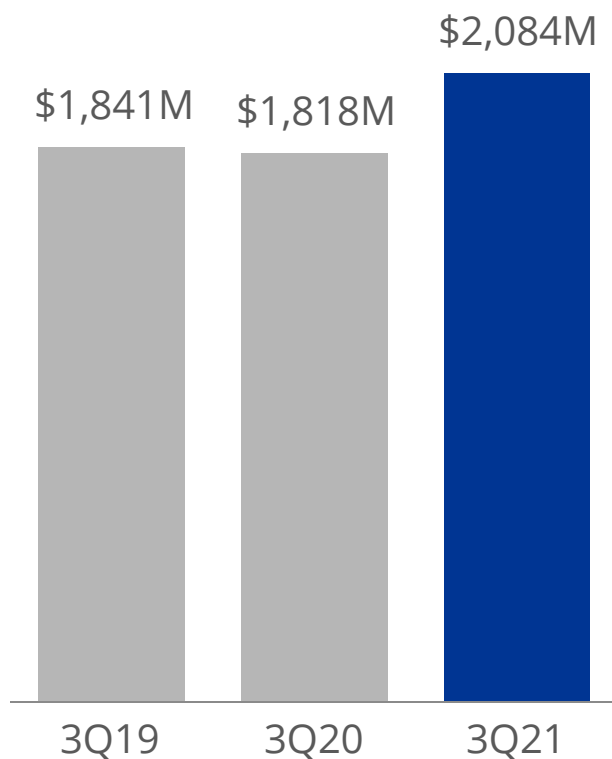
% of net sales



Core results

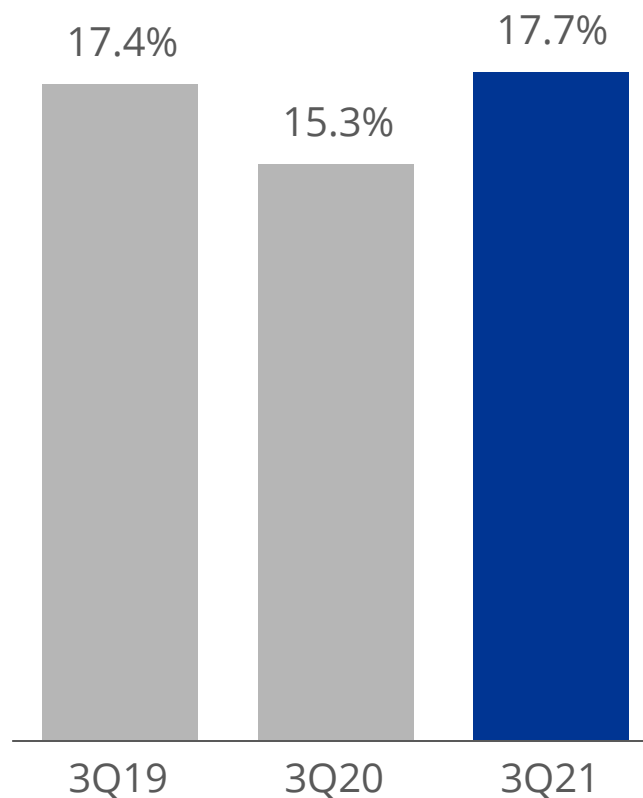
3Q21 core results¹

Worldwide net sales



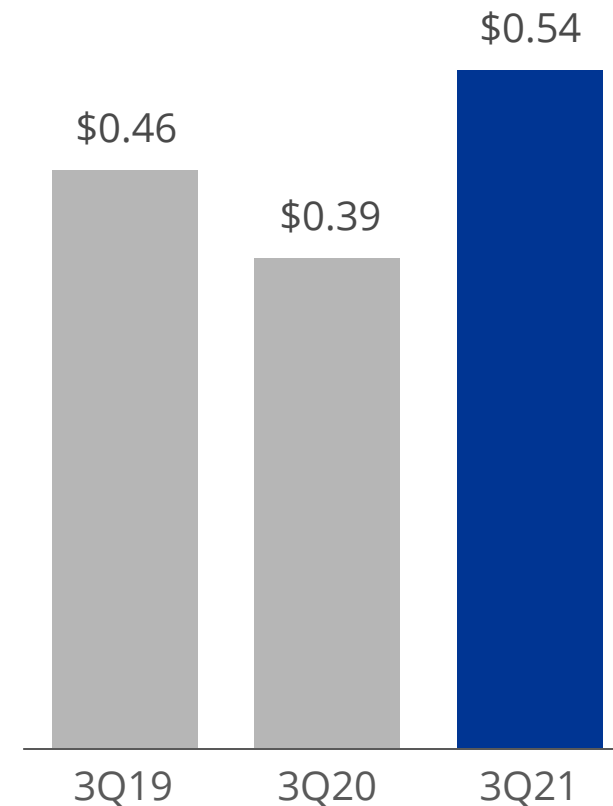
+14% cc vs. 3Q20
+13% cc vs. 3Q19

Core operating margin



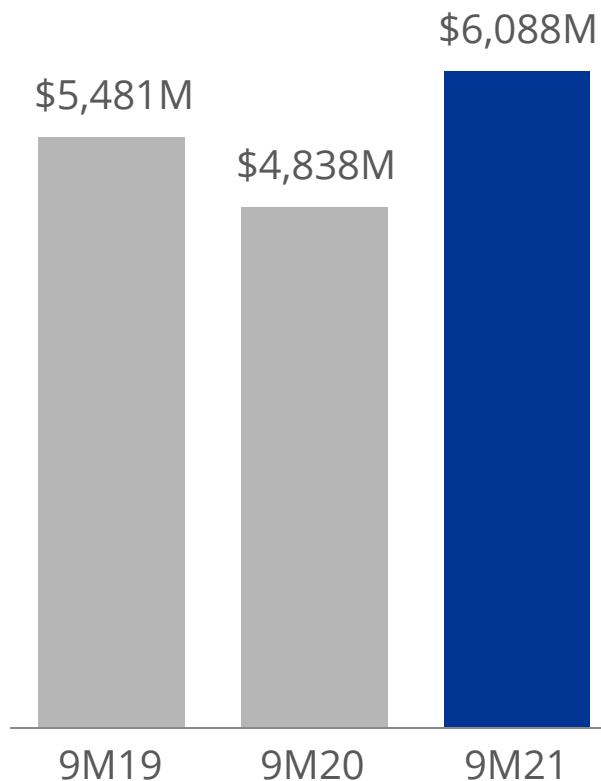
FX vs. 3Q20: +40 bps
FX vs. 3Q19: (30) bps

Core diluted EPS



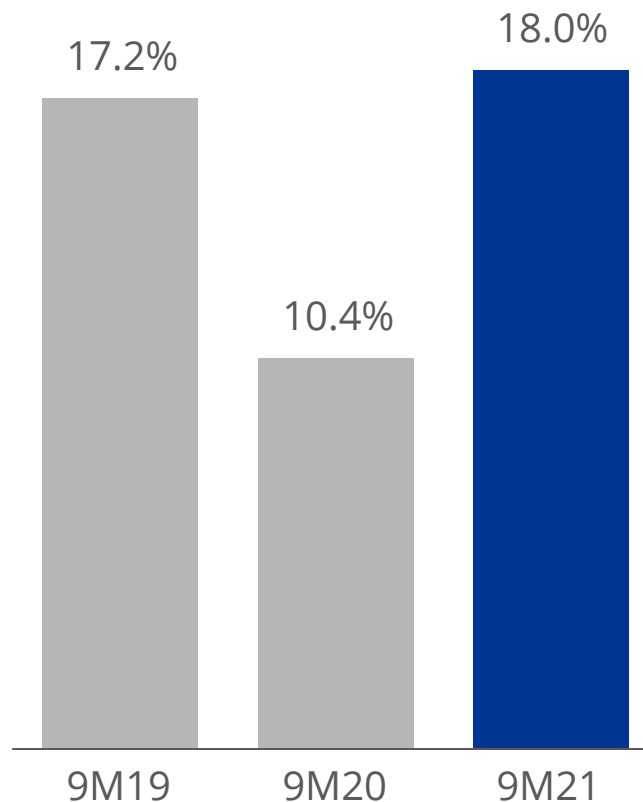
9M21 core results¹

Worldwide net sales



+23% cc vs. 9M20
+10% cc vs. 9M19

Core operating margin

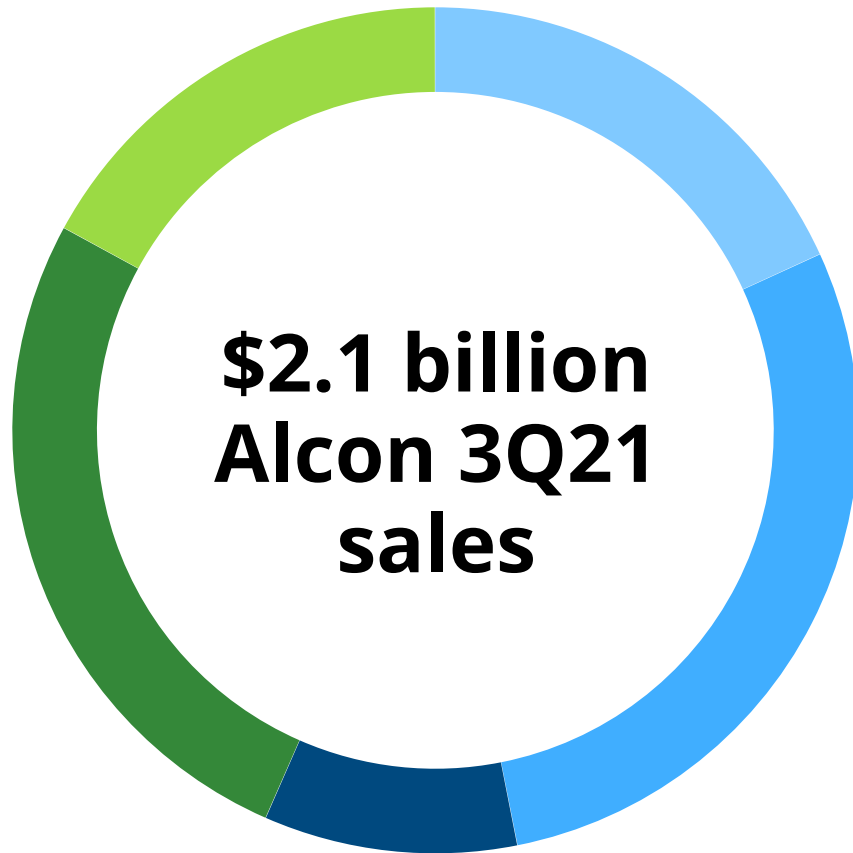


FX vs. 9M20: +50 bps
FX vs. 9M19: (20) bps

Core diluted EPS



3Q21 product mix¹



**\$2.1 billion
Alcon 3Q21
sales**

Vision Care \$0.9B (44%)

Ocular health (39%)

Dry eye products

Allergy eye drops

Contact lens solution

Glaucoma eye drops

Contact lenses (61%)

Daily lenses

Reusable lenses

Cosmetic lenses

Surgical \$1.2B (56%)

Implantables (32%)

Monofocal IOLs

Advanced technology IOLs

Consumables (51%)

Dedicated consumables

Custom surgical packs

Procedural products

Equipment/other (17%)

Cataract equipment

Retinal equipment

Refractive equipment

Diagnostics & visualization

Equipment service

Procedural eye drops

3Q21 vs. 3Q19

Surgical growth in all categories

+

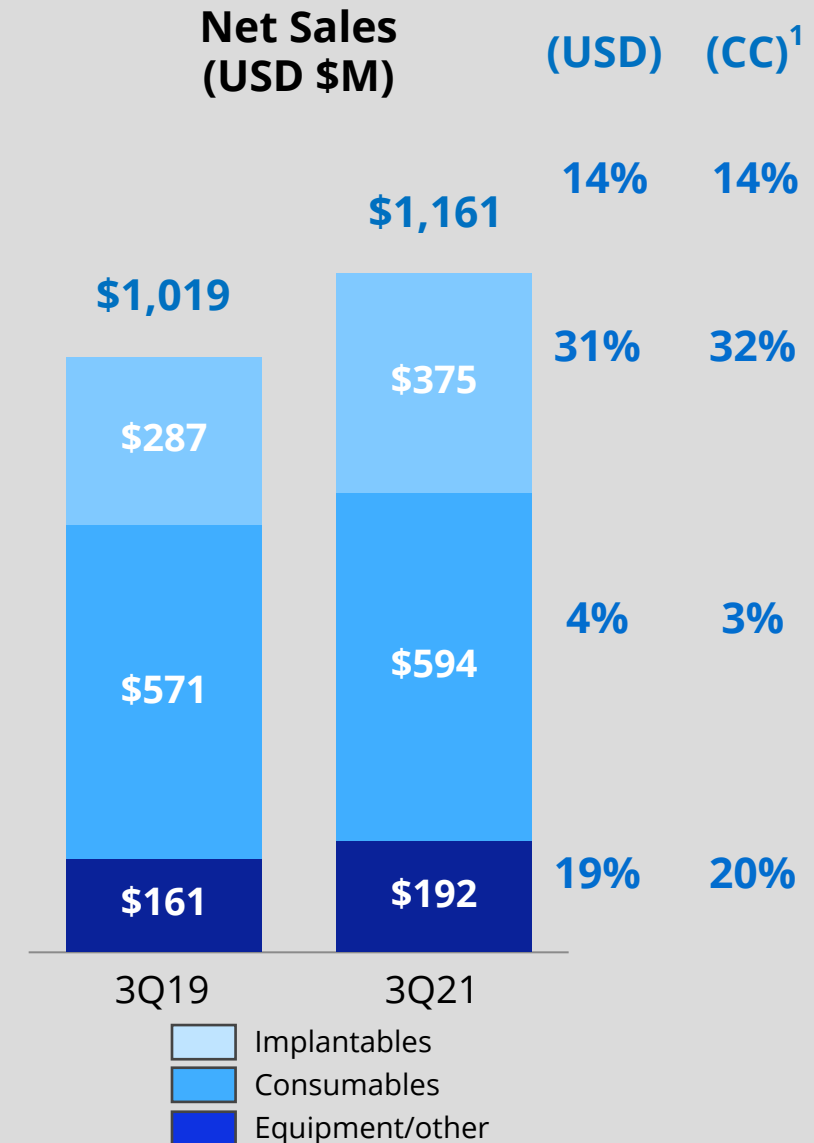
- Ongoing launch of *Vivity* and continued demand for *PanOptix*
- Penetration growth of ATIOLs

+

- Growth in cataract equipment, including phaco, *Active Sentry* handpiece, *Argos* biometer and *LuxOR Revalia* microscope
- Growth in refractive with continued demand for LASIK procedures

-

- International markets continue to recover at varying paces



3Q21 vs. 3Q19

Vision Care growth in all categories

+

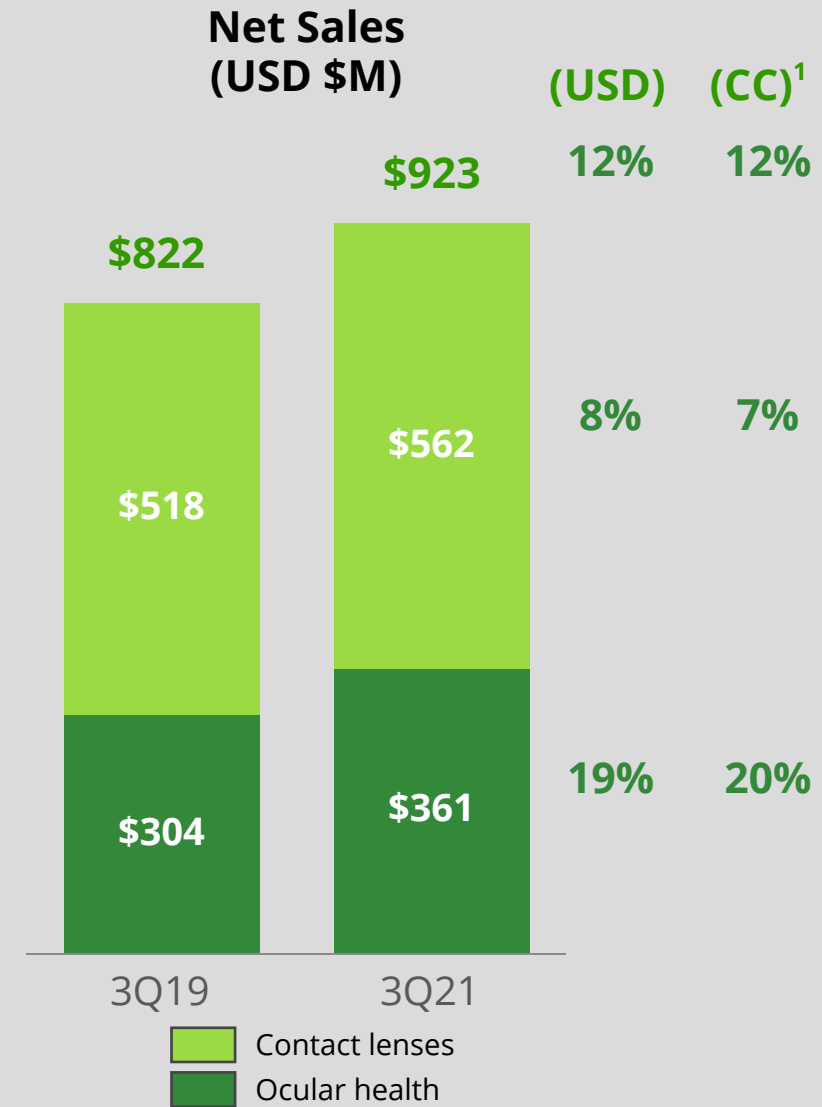
- Strong demand for *Precision1* and *Precision1* for Astigmatism
- Continued growth from *Dailies Total1*
- Expanding Total premium brand with two new products; favorable customer feedback

+

- *Systane* double-digit growth in all regions
- Strong demand for *Pataday* allergy drops during fall allergy season in the US
- Full quarter of *Simbrinza* glaucoma drops

-

- International markets continue to recover at varying paces



3Q21 vs. 3Q19

Core operating margin¹ bridge

% of net sales



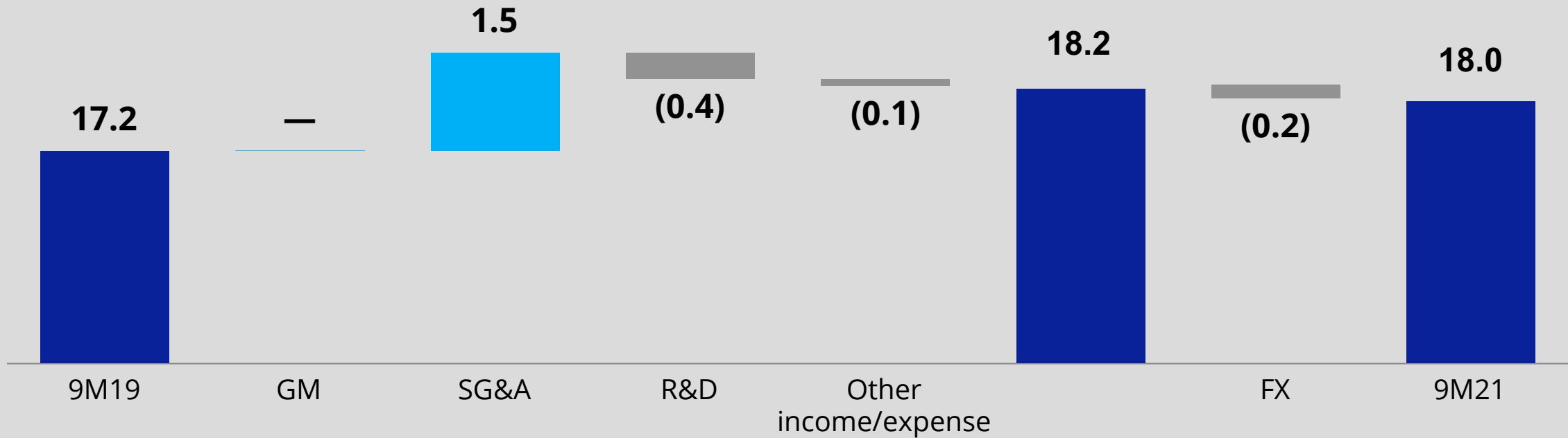
Key drivers

- Operating leverage as sales growth outpaces increases in SG&A

9M21 vs. 9M19

Core operating margin¹ bridge

% of net sales



Key drivers

- Operating leverage as sales growth outpaces increases in SG&A

Cash flow and balance sheet highlights

Cash and cash equivalents

\$1,565 million

9M21 cash flows from operations \$958 million

9M21 free cash flow¹ \$578 million

Capex

\$380 million

Investing in new contact lens manufacturing lines

Debt

\$4,109 million

No financial covenants

Appendix

Appendix: Non-IFRS measures as defined by the Company

Alcon uses certain non-IFRS metrics when measuring performance, including when measuring current period results against prior periods, including core results, percentage changes measured in constant currencies and free cash flow. Because of their non-standardized definitions, the non-IFRS measures (unlike IFRS measures) may not be comparable to the calculation of similar measures of other companies. These non-IFRS measures are presented solely to permit investors to more fully understand how Alcon management assesses underlying performance. These non-IFRS measures are not, and should not be viewed as, a substitute for IFRS measures.

Core results

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

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

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

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

Constant currencies

Changes in the relative values of non-US currencies to the US dollar can affect Alcon's financial results and financial position. To provide additional information that may be useful to investors, including changes in sales volume, we present information about changes in our net sales and various values relating to operating and net income that are adjusted for such foreign currency effects. Constant currency calculations have the goal of eliminating two exchange rate effects so that an estimate can be made of underlying changes in the consolidated income statement excluding (i) the impact of translating the income statements of consolidated entities from their non-US dollar functional currencies to the US dollar and (ii) the impact of exchange rate movements on the major transactions of consolidated entities performed in currencies other than their functional currency. Alcon calculates constant currency measures by translating the current year's foreign currency values for sales and other income statement items into US dollars, using the average exchange rates from the historical comparative period and comparing them to the values from the historical comparative period in US dollars.

Free cash flow

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

Reconciliation of IFRS results to core results

Three months ended September 30, 2021

(\$ millions except earnings per share)	IFRS results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Separation costs ⁽³⁾	Transformation costs ⁽⁴⁾	Legal items ⁽⁵⁾	Other items ⁽⁷⁾	Core results
Gross profit	1,195	133	—	—	—	—	(1)	1,327
Selling, general & administration	(779)	—	—	3	—	—	—	(776)
Research & development	(318)	5	178	—	—	—	(39)	(174)
Other income	4	—	—	—	—	—	—	4
Other expense	(82)	—	—	4	14	50	2	(12)
Operating income	20	138	178	7	14	50	(38)	369
(Loss)/income before taxes	(23)	138	178	7	14	50	(38)	326
Taxes ⁽⁸⁾	25	(24)	(41)	—	(3)	(12)	(2)	(57)
Net income	2	114	137	7	11	38	(40)	269
Basic earnings per share (\$)	0.00							0.55
Diluted earnings per share (\$)	0.00							0.54
Basic - weighted average shares outstanding (millions) ⁽⁹⁾	490.1							490.1
Diluted - weighted average shares outstanding (millions) ⁽⁹⁾	493.8							493.8

Refer to the associated explanatory footnotes at the end of the 'Reconciliation of IFRS results to core results' tables.

Reconciliation of IFRS results to core results

Three months ended September 30, 2020

(\$ millions except (loss)/earnings per share)	IFRS results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Separation costs ⁽³⁾	Transformation costs ⁽⁴⁾	Post employment benefits ⁽⁶⁾	Other items ⁽⁷⁾	Core results
Gross profit	848	250	—	4	—	—	14	1,116
Selling, general & administration	(685)	—	—	5	—	—	—	(680)
Research & development	(216)	5	61	—	—	—	5	(145)
Other income	7	—	—	—	—	—	(1)	6
Other expense	(83)	—	—	39	14	12	—	(18)
Operating (loss)/income	(129)	255	61	48	14	12	18	279
(Loss)/income before taxes	(168)	255	61	48	14	12	18	240
Taxes ⁽⁸⁾	21	(44)	(8)	(7)	(3)	(2)	(4)	(47)
Net (loss)/income	(147)	211	53	41	11	10	14	193
Basic (loss)/earnings per share (\$)	(0.30)							0.39
Diluted (loss)/earnings per share (\$)	(0.30)							0.39
Basic - weighted average shares outstanding (millions) ⁽⁹⁾	489.1							489.1
Diluted - weighted average shares outstanding (millions) ⁽⁹⁾	489.1							492.0

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Reconciliation of IFRS results to core results

Three months ended September 30, 2019

(\$ millions except (loss)/earnings per share)	IFRS results	Amortization of certain intangible assets ⁽¹⁾	Separation costs ⁽³⁾	Transformation costs ⁽⁴⁾	Other items ⁽⁷⁾	Core results
Gross profit	950	252	4	—	(31)	1,175
Selling, general & administration	(717)	—	8	—	5	(704)
Research & development	(179)	6	1	—	19	(153)
Other income	17	—	—	—	—	17
Other expense	(89)	—	64	8	2	(15)
Operating (loss)/income	(18)	258	77	8	(5)	320
(Loss)/income before taxes	(64)	258	77	8	(5)	274
Taxes ⁽⁸⁾	(2)	(34)	(19)	(2)	7	(50)
Net (loss)/income	(66)	224	58	6	2	224
Basic (loss)/earnings per share (\$)	(0.14)					0.46
Diluted (loss)/earnings per share (\$)	(0.14)					0.46
Basic - weighted average shares outstanding (millions) ⁽⁹⁾	488.2					488.2
Diluted - weighted average shares outstanding (millions) ⁽⁹⁾	488.2					490.6

Refer to the associated explanatory footnotes at the end of the 'Reconciliation of IFRS results to core results' tables.

Reconciliation of IFRS results to core results

Nine months ended September 30, 2021

(\$ millions except earnings per share)	IFRS results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Separation costs ⁽³⁾	Transformation costs ⁽⁴⁾	Legal items ⁽⁵⁾	Other items ⁽⁷⁾	Core results
Gross profit	3,446	386	45	—	—	—	(1)	3,876
Selling, general & administration	(2,263)	—	—	12	—	—	—	(2,251)
Research & development	(662)	5	178	—	—	—	(31)	(510)
Other income	18	—	—	—	—	—	(1)	17
Other expense	(141)	—	—	11	40	50	3	(37)
Operating income	398	391	223	23	40	50	(30)	1,095
Income before taxes	277	391	223	23	40	50	(30)	974
Taxes ⁽⁸⁾	(40)	(70)	(51)	(4)	(8)	(12)	(1)	(186)
Net income	237	321	172	19	32	38	(31)	788
Basic earnings per share (\$)	0.48							1.61
Diluted earnings per share (\$)	0.48							1.60
Basic - weighted average shares outstanding (millions) ⁽⁹⁾	489.9							489.9
Diluted - weighted average shares outstanding (millions) ⁽⁹⁾	493.2							493.2

Refer to the associated explanatory footnotes at the end of the 'Reconciliation of IFRS results to core results' tables.

Reconciliation of IFRS results to core results

Nine months ended September 30, 2020

(\$ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Separation costs ⁽³⁾	Transformation costs ⁽⁴⁾	Post- employment benefits ⁽⁶⁾	Other items ⁽⁷⁾	Core results
Gross profit	2,065	752	57	11	—	—	18	2,903
Selling, general & administration	(1,957)	—	—	14	—	—	—	(1,943)
Research & development	(518)	20	61	—	—	—	(6)	(443)
Other income	25	—	—	—	—	—	(4)	21
Other expense	(238)	—	—	156	34	12	—	(36)
Operating (loss)/income	(623)	772	118	181	34	12	8	502
(Loss)/income before taxes	(739)	772	118	181	34	12	8	386
Taxes ⁽⁸⁾	113	(131)	(22)	(31)	(7)	(2)	3	(77)
Net (loss)/income	(626)	641	96	150	27	10	11	309
Basic (loss)/earnings per share (\$)	(1.28)							0.63
Diluted (loss)/earnings per share (\$)	(1.28)							0.63
Basic - weighted average shares outstanding (millions) ⁽⁹⁾	488.9							488.9
Diluted - weighted average shares outstanding (millions) ⁽⁹⁾	488.9							491.7

Refer to the associated explanatory footnotes at the end of the 'Reconciliation of IFRS results to core results' tables.

Reconciliation of IFRS results to core results

Nine months ended September 30, 2019

(\$ millions except (loss)/earnings per share)	IFRS Results	Amortization of certain intangible assets ⁽¹⁾	Separation costs ⁽³⁾	Transformation costs ⁽⁴⁾	Legal items ⁽⁵⁾	Other items ⁽⁷⁾	Core results
Gross profit	2,749	754	7	—	—	(21)	3,489
Selling, general & administration	(2,133)	—	21	—	—	14	(2,098)
Research & development	(492)	17	3	—	—	39	(433)
Other income	35	—	—	—	—	(1)	34
Other expense	(278)	—	124	13	32	61	(48)
Operating (loss)/income	(119)	771	155	13	32	92	944
(Loss)/income before taxes	(225)	771	155	13	32	92	838
Taxes ⁽⁸⁾	(340)	(104)	(37)	(3)	(8)	356	(136)
Net (loss)/income	(565)	667	118	10	24	448	702
Basic (loss)/earnings per share (\$)	(1.16)						1.44
Diluted (loss)/earnings per share (\$)	(1.16)						1.43
Basic - weighted average shares outstanding (millions) ⁽⁹⁾	488.2						488.2
Diluted - weighted average shares outstanding (millions) ⁽⁹⁾	488.2						489.6

Refer to the associated explanatory footnotes at the end of the 'Reconciliation of IFRS results to core results' tables.

Reconciliation of IFRS results to core results

Explanatory footnotes to IFRS to core reconciliation tables

- (1) Includes recurring amortization for all intangible assets other than software.
- (2) Includes impairment charges related to intangible assets.
- (3) Separation costs are expected to be incurred over the two to three-year period following the completion of the spin-off from Novartis and primarily include costs related to IT and third party consulting fees.
- (4) Transformation costs, primarily related to restructuring and third party consulting fees, for the multi-year transformation program.
- (5) For the three and nine months ended September 30, 2021, includes an increase in provisions for legal matters. For the nine months ended September 30, 2019, includes legal settlement costs and certain external legal fees.
- (6) Includes impact from a pension plan amendment.
- (7) For the three months ended September 30, 2021, Gross profit includes fair value adjustments to contingent consideration liabilities. Research & development includes fair value adjustments to contingent consideration liabilities of \$41 million, partially offset by \$2 million for the amortization of option rights. Other expense includes fair value adjustments of financial assets.

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

For the three months ended September 30, 2019, Gross profit includes \$38 million in fair value adjustments to contingent consideration liabilities, partially offset by \$7 million in manufacturing sites consolidation activities and integration related expenses for recent acquisitions. Selling, general & administration primarily includes expenses for integration of recent acquisitions. Research & development primarily includes the amortization of option rights and expenses for integration of recent acquisitions and a post-marketing study following a product's voluntary market withdrawal. Other expense primarily includes fair value adjustments of a financial asset.

For the nine months ended September 30, 2021, Gross profit includes fair value adjustments to contingent consideration liabilities. Research & development includes fair value adjustments to contingent consideration liabilities of \$41 million, partially offset by \$10 million for the amortization of option rights. Other income and Other expense include fair value adjustments of financial assets.

For the nine months ended September 30, 2020, Gross profit includes \$23 million losses on disposal of property, plant & equipment, partially offset by \$5 million fair value adjustments to contingent consideration liabilities. Research & development includes a \$34 million fair value adjustment to a contingent consideration liability, partially offset by \$28 million for the amortization of option rights. Other income includes fair value adjustments of financial assets.

For the nine months ended September 30, 2019, Gross profit includes \$38 million in fair value adjustments to contingent consideration liabilities, partially offset by \$17 million in spin readiness costs, manufacturing sites consolidation activities and integration of recent acquisitions. Selling, general & administration primarily includes spin readiness costs and the integration of recent acquisitions. Research & development includes \$53 million for the amortization of options rights, post-marketing study following a product's voluntary market withdrawal and the integration of recent acquisitions, partially offset by \$14 million in fair value adjustments to contingent consideration liabilities. Other income and expense primarily includes spin readiness costs, fair value adjustments of a financial asset and other items.

Reconciliation of IFRS results to core results

Explanatory footnotes to IFRS to core reconciliation tables (con't)

- (8) For the three months ended September 30, 2021, total tax adjustments of \$82 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$349 million totaled \$80 million with an average tax rate of 22.9%.

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

For the three months ended September 30, 2019, total tax adjustments of \$48 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$338 million totaled \$58 million with an average tax rate of 17.2%. Core tax adjustments for discrete items totaled \$10 million, primarily related to the re-measurement of deferred tax assets and liabilities following a tax rate change in India and other items.

For the nine months ended September 30, 2021, total tax adjustments of \$146 million include tax associated with operating income core adjustments of \$697 million with an average tax rate of 20.9%.

For the nine months ended September 30, 2020, total tax adjustments of \$190 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$1,125 million totaled \$196 million with an average tax rate of 17.4%. Core tax adjustments for discrete items totaled \$6 million primarily related to tax expense from the delayed spin of a legal entity.

For the nine months ended September 30, 2019, total tax adjustments of \$204 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$1,063 million totaled \$172 million with an average tax rate of 16.2%. Core tax adjustments for discrete items totaled \$376 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, \$5 million non-cash tax expense related to the re-measurement of deferred tax assets and liabilities following a tax rate change in India, and net changes in uncertain tax positions.

- (9) For the three and nine months ended September 30, 2021 and 2020, 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 associated with unvested equity-based awards as described in Note 5 to the Condensed Consolidated Interim Financial Statements.

For the three months ended September 30, 2019, core basic earnings per share was calculated using 488.2 million weighted-average shares of common stock outstanding during the period. Core diluted earnings per share also contemplate dilutive shares of 2.4 million associated with unvested equity-based awards, yielding 490.6 million weighted-average diluted shares for the period.

For the nine months ended September 30, 2019, core basic earnings per share was calculated using 488.2 million weighted-average shares of common stock outstanding during the period following the spin-off. Core diluted earnings per share also contemplate dilutive shares of 1.4 million associated with unvested equity-based awards, yielding 489.6 million weighted-average diluted shares for the period.

Net sales

	2021 compared to 2020				2021 compared to 2019			
	Three months ended		Change %		Three months ended		Change %	
	September 30				September 30			
(\$ millions unless indicated otherwise)	2021	2020	\$	cc ⁽¹⁾	2019	\$	cc ⁽¹⁾	
Surgical								
Implantables	375	290	29	29	287	31	32	
Consumables	594	526	13	12	571	4	3	
Equipment/other	192	180	7	6	161	19	20	
Total Surgical	1,161	996	17	16	1,019	14	14	
Vision Care								
Contact lenses	562	517	9	8	518	8	7	
Ocular health	361	305	18	17	304	19	20	
Total Vision Care	923	822	12	11	822	12	12	
Net sales to third parties	2,084	1,818	15	14	1,841	13	13	

Net sales by region²								
United States	939	846	11	11	759	24	24	
International	1,145	972	18	16	1,082	6	5	
Net sales to third parties	2,084	1,818	15	14	1,841	13	13	

1. Constant currency growth is a non-IFRS measure, as described earlier in this Appendix.

2. Net sales to third parties by location of third-party customer

Net sales

	2021 compared to 2020				2021 compared to 2019			
	Nine months ended September 30		Change %		Nine months ended September 30		Change %	
	2021	2020	\$	cc ⁽¹⁾	2019	\$	cc ⁽¹⁾	
(\$ millions unless indicated otherwise)								
Surgical								
Implantables	1,106	776	43	40	872	27	28	
Consumables	1,749	1,365	28	25	1,710	2	1	
Equipment/other	589	441	34	31	488	21	21	
Total Surgical	3,444	2,582	33	30	3,070	12	12	
Vision Care								
Contact lenses	1,606	1,348	19	16	1,509	6	5	
Ocular health	1,038	908	14	12	902	15	16	
Total Vision Care	2,644	2,256	17	15	2,411	10	9	
Net sales to third parties	6,088	4,838	26	23	5,481	11	10	

Net sales by region²								
United States	2,732	2,131	28	28	2,275	20	20	
International	3,356	2,707	24	19	3,206	5	4	
Net sales to third parties	6,088	4,838	26	23	5,481	11	10	

1. Constant currency growth is a non-IFRS measure, as described earlier in this Appendix.

2. Net sales to third parties by location of third-party customer

Reconciliation of free cash flow

The following is a summary of free cash flow for the nine months ended September 30, 2021, 2020 and 2019, together with a reconciliation to net cash flows from operating activities, the most directly comparable IFRS measure:

(\$ millions)	2021	2020	2019
Net cash flows from operating activities	958	384	574
Purchase of property, plant & equipment	(380)	(269)	(314)
Free cash flow	578	115	260

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