

# 2022 Annual Report

See Brilliantly

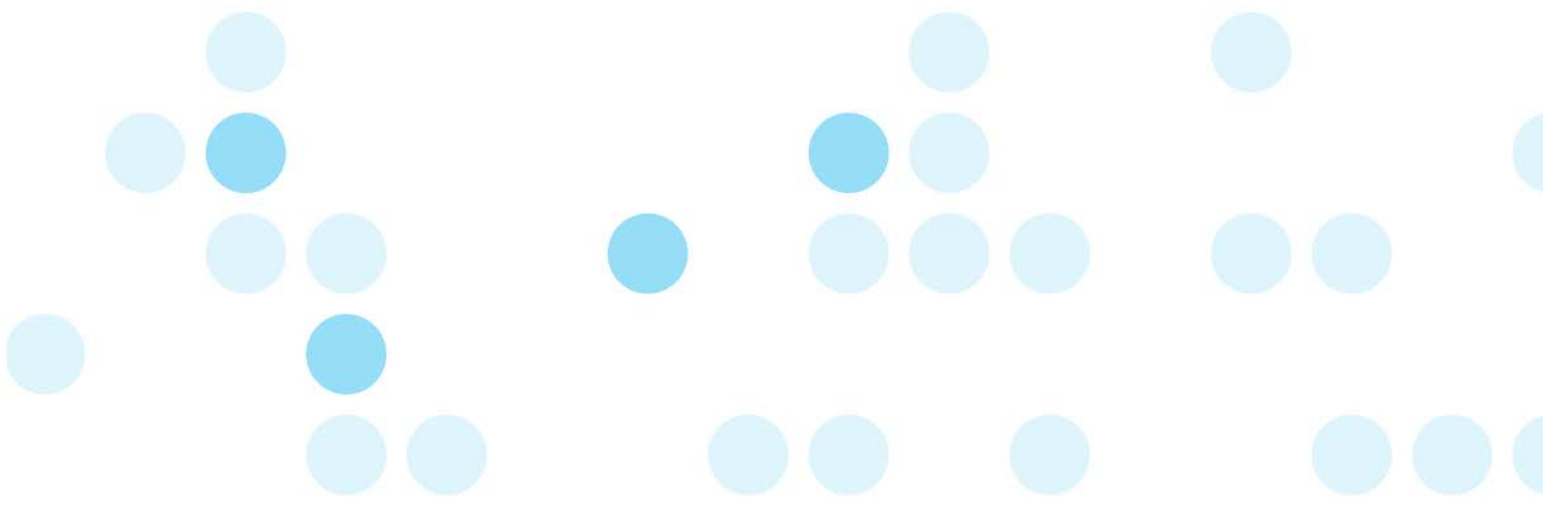


**Alcon**





Alcon is the global leader in eye care, dedicated to helping people See Brilliantly. With an over 75-year heritage, we are the largest eye care company in the world, with complementary businesses in Surgical and Vision Care. Being a truly global company, we work in 60 countries and serve patients in more than 140 countries. We have a long history of industry firsts, and each year we commit a substantial amount in research and development to meet customer needs and patient demands.





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# Letter from the Board Chair



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**We see a greater need for eye care innovation. Guided by our mission, our more than 25,000 associates feel a deep responsibility to deliver on our purpose of helping the world see brilliantly, for everyone, everywhere.**

## To Our Shareholders

In 2022, Alcon celebrated its 75<sup>th</sup> anniversary. This anniversary marks a long heritage of breakthrough innovation, industry firsts, unwavering dedication to eye care professionals and their patients and commitment to increasing access to eye care.

While the eye care industry has changed significantly since our founding, we continue to see a greater need for eye care innovation. Guided by our mission, our more than 25,000 associates feel a deep responsibility to deliver on our purpose of helping the world see brilliantly, for everyone, everywhere.

## Living Our Mission

In 2022, we continued to deliver lasting impact by formalizing our approach to corporate responsibility, which defines our ambitions, informs our strategy and creates accountability. This strategy is formed around three pillars: Brilliant Lives, Brilliant Innovation and Brilliant Planet. As part of this strategy, we have identified metrics and goals to hold ourselves accountable and measure progress, including:

- Goals to improve peoples' lives by improving their vision, particularly in low- and middle-income countries, as well as improve vision for children, and
- Goals that include carbon neutrality\* across global operations and diversion of non-hazardous waste generated at manufacturing sites and distribution centers.

\* For Scope 1 and Scope 2 emissions.





These goals, and much more, are reflected in our 2021 Corporate Responsibility Report, in which we enhanced our disclosure around our efforts related to expanding access to quality eye care, creating a more diverse and inclusive company and protecting our environment. The report is available on our website, and I encourage everyone to review it and learn about how we are making a difference.

### Governance and Shareholder Outreach

Each year, we engage with shareholders to discuss our corporate governance practices and solicit feedback. I personally attended many of these engagements, and I thank our shareholders for the insights they shared on our governance practices, the selection of our peer group for compensation purposes and our remuneration philosophy, framework and disclosure. The Compensation Report and Corporate Governance sections of this Annual Report reflect the Board's careful consideration of the feedback we received.

Lastly, the success we saw in 2022 is only possible thanks to the continued commitment of Alcon's associates. I continue to be impressed by their dedication to our customers, their patients and to improving the sight of people everywhere.

Thank you for your continued trust and support.

Yours sincerely,

**F. Michael Ball**  
Chair

### Our Stakeholders



- Investors



- Patients
- Customers
- Ophthalmologists
- Optometrists
- Eye Care Professionals



- Associates
- Communities



- Research Partners
- Suppliers





# Message from the CEO



“

**Offering Eye Care Professionals solutions that meet their needs so that they can provide the best care for their patients is at the heart of what we do.**

## Dear Fellow Shareholders

This year, Alcon celebrated its 75<sup>th</sup> anniversary. In this report, you'll see just how well our heritage of creating and delivering groundbreaking eye care innovation has equipped us for the present and set our course for the future. We are proud and grateful to be the global eye care leader, and we are excited to continue fulfilling that role in the decades ahead.

## Achievements Drive Growth Despite Headwinds

By strengthening our near- and short- term strategies, we've continued to make strong progress on our strategic commitments including:

- We maintained our investment in Research & Development while simultaneously pursuing external partnerships;
- We invested in digital technologies and other resources to strengthen our relationship with customers and their patient education efforts;
- We accelerated our transformation program by streamlining our operating models and commercial processes; and
- We delivered strong financial results, despite broad macroeconomic pressures.

With the current global economy put to the test by supply chain issues, a strong US dollar and inflation, we are especially pleased by these noteworthy accomplishments.





## Strong Demand for Differentiated Products and Solutions across Franchises

Offering solutions that meet the needs of Eye Care Professionals and their patients is at the heart of what we do. With our extensive expertise in areas such as optical design, materials science and surface chemistry, our innovations remain at the top of our sector across the businesses:

- **In the Surgical Franchise**, we grew our Surgical market leadership with our presbyopia-correcting IOLs and introduced our most advanced IOL material, *Clareon*, across our IOL portfolio, giving more choices to surgeons and their patients. We also closed the Ivantis, Inc. acquisition and introduced *Hydrus* Microstent into our surgical glaucoma portfolio. Our footprint with equipment in the clinic and in the operating room segment is unmatched.
- **In the Contact Lens business**, we introduced two new contact lens offerings: *DAILIES TOTAL1* for Astigmatism and *PRECISION1* for Astigmatism. *DAILIES TOTAL1* for Astigmatism is the first ever lens for astigmatism with water gradient technology and strengthens the *TOTAL* family's ability to serve patients who desire a premium-wearing experience. Contact lenses across the *PRECISION* and *TOTAL* product families continue to drive growth and earn the trust of our customers.
- **In the Ocular Health business**, during 2022, we took bold steps that add products and strengthen our value proposition through several acquisitions. In the summer, we acquired *Eysuvis* and *Inveltys* from Kala Pharmaceuticals, Inc. In addition, we acquired Aerie Pharmaceuticals, Inc., which added *Rocklatan* and *Rhopressa* to our product portfolio. Together, these additions have bolstered our presence in the ophthalmic pharmaceutical space and improved our development pipeline. Ocular health remains an appealing area for development and innovation.

## Innovating Responsibly

Our status as the leader in eye care comes with a responsibility to the global community that we take seriously. In August 2022, we published our 2021 Corporate Responsibility Report highlighting the three pillars of Alcon's responsible governance. The three pillars, Brilliant Lives, Brilliant Innovation and Brilliant Planet, were designed with longevity in mind, enabling us to help people see brilliantly for generations to come.

- **Brilliant Lives:** With our partner organizations, we'll enable communities to access critical eye care services.
- **Brilliant Innovation:** Our diverse talent from around the globe will innovate best-in-class products that change lives.
- **Brilliant Planet:** We'll care for our planet by focusing on reducing emissions and waste.

## 75 Years of Service

Over the last 75 years, Alcon has aspired to improve lives, strengthen communities and create long-term value through state-of-the-art innovations that improve sight. Heading into 2023, we've never been in a more favorable position, and that's due to the outstanding work of Alcon's nimble and tenacious team of associates. I am proud to lead a team that stewards Alcon's legacy so well and understands our unlimited potential to help people around the world See Brilliantly.

Sincerely,

**David J. Endicott**  
Chief Executive Officer



# Market Overview

## Robust opportunities to address sizable unmet needs



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



**1.8 billion**  
have presbyopia,  
projected to grow to  
**2.1 billion**  
in 2030<sup>2</sup>



**1.4 billion**  
live with dry eyes<sup>3</sup>



**65 million**  
with moderate to  
severe vision  
impairment due  
to cataracts<sup>4</sup>



**146 million**  
have diabetic  
retinopathy<sup>4</sup>



**103 million**  
live with glaucoma<sup>5</sup>

1. Source: World Health Organization ("WHO"). Online Q&A. 2013.
2. Source: WHO. World Report on Vision. 2019.
3. Source: MarketScope: 2020 Dry Eye Products Market Report.
4. Source: WHO. World Report on Vision. 2019.
5. Source: MarketScope: 2021 Glaucoma Surgical Device Market Report.
6. Source: WHO. Blindness and visual impairment. 2022.
7. Source: WHO. Multisectoral action for a life course approach to healthy aging. 2016.
8. Source: MarketScope, GfK and Alcon internal estimates.

## 75 Years of Eye Care Innovation and Access

The year 2022 marked Alcon's 75<sup>th</sup> anniversary and, as we celebrated this milestone by reinforcing our commitment to delivering innovations that improve sight, we continued our important work of expanding access to eye care to communities around the world.

Alcon sees a world where treatable, preventable conditions affecting eye health receive the attention they need, regardless of an individual's geography, gender, age or socioeconomic status. Currently, more than 1 billion people are living with uncorrected vision impairments — 90% of those individuals live in low- and middle-income countries<sup>6</sup>. Through training and education programs and partnerships that improve access and affordability, we are bringing eye care to those who need it.

## Addressing Unmet Needs Through Innovation

We currently operate in the global ophthalmic surgical and vision care markets, which are large, dynamic and growing. As the world population grows and ages, the need for quality eye care is expanding and evolving, and we estimate that the size of the eye care market in which we operate is approximately \$32 billion and is projected to grow mid-single digits per year from 2022 to 2027<sup>8</sup>.

Although it is estimated that 90% of all visual impairments are currently preventable<sup>1</sup>, treatable or curable, we operate in markets that have substantial unmet medical and consumer needs. For example, based on market research, it is estimated that there are currently 65 million people with moderate to severe vision impairment due to cataracts<sup>4</sup>, 1.8 billion who suffer from presbyopia<sup>2</sup>, 153 million with uncorrected refractive errors<sup>1</sup>, 146 million with diabetic retinopathy<sup>4</sup>, 103 million living with glaucoma<sup>5</sup> and approximately 1.4 billion who suffer from symptoms of dry eye<sup>3</sup>, among other unaddressed ocular health conditions. In addition, there are 1 billion people living with some form of unaddressed visual impairment<sup>6</sup>.

A growing aging population continues to drive the increased prevalence of eye care conditions worldwide, as the number of persons aged 60 years or over is expected to more than double by 2050, rising from 962 million globally in 2017 to 2.1 billion in 2050<sup>7</sup>. Cataracts, a clouding of the eye's lens that impairs vision, are the world's leading cause of preventable





blindness<sup>1</sup> and the most common cause of vision loss in people over age 40. With the incidence of cataracts and retinal disease driven by aging, these factors and others drive our expectation that demand for ophthalmic surgeries will continue to increase.

The surgical market in which we operate is estimated to be \$12 billion and is projected to grow mid-single digits per year from 2022 to 2027<sup>2</sup>. The surgical market includes sales of implantables, consumables and surgical equipment, including associated technical, clinical and service support and training. Surgical implantables are medical devices designed to remain in the eye, such as our monofocal and innovation-driven advanced technology intraocular lenses ("AT-IOLs") that provide cataract patients with additional refractive correction for astigmatism and/or presbyopia – often reducing the need for glasses after cataract surgery.

Glaucoma is the second-largest cause of blindness after cataracts<sup>3</sup>, with significant unmet patient need. This year Alcon completed our acquisition of Ivantis, Inc. and introduced *Hydrus* Microstent into our surgical glaucoma portfolio. Alcon's global commercial footprint and development capabilities make us well positioned to build on the success of Ivantis and help even more patients see brilliantly with *Hydrus* Microstent.

The vision care market in which we operate is estimated to be \$20 billion and is projected to grow mid-single digits per year from 2022 to 2027<sup>4</sup>, and our vision care products are among the world's most trusted.

The contact lens market, which is comprised of products designed for use by eye care professionals and consumers, is driven by the fast-growing daily disposable contact lens and premium reusable lens segment fueled by better material, improved health and comfort and enhanced vision acuity. Additionally, advancements in specialty lenses combined with

increasing demand for toric (lenses that correct astigmatic vision), multifocal and cosmetic lenses, which command an approximately 15-30% pricing premium over spherical lenses, are allowing patients to continue wearing contact lenses as they become older and helping to expand the market. In ocular health, *Systane* is the best-selling artificial tear brand globally and is clinically proven to soothe dry and irritated eyes quickly for long-lasting relief with its unique formulas. *Systane* Ultra, Hydration and Complete formulations are now preservative-free and available in convenient, multi-dose bottles. With our completed acquisition of Aerie Pharmaceuticals in late 2022 we have added *Rocklatan* and *Rhopressa*. In addition, we acquired *Eysuvis* and *Inveltys* from Kala Pharmaceuticals. Together, these additions have bolstered our presence in the ophthalmic pharmaceutical space and improved our development pipeline.

Our Surgical and Vision Care products are targeted at addressing many of these unmet medical and consumer needs. We expect the surgical and vision care markets to continue to grow, driven by multiple factors and trends, including an aging population, innovation improving eye care, increasing affluence and growing prevalence of myopia and digital eye strain.

1. Source: US Centers for Disease Control ("CDC"). Vision Health Initiative.
2. Source: MarketScope and Alcon internal estimates.
3. Source: CDC. Vision Health Initiative.
4. Source: GfK and Alcon internal estimates.





# Select Financial Highlights

(\$ millions unless otherwise indicated)	2022	2021	Change % 2022 vs. 2021		2020	Change % 2021 vs. 2020	
			\$	cc*		\$	cc*
Net sales to third parties	8,654	8,222	5	11	6,763	22	20
Operating income/(loss)	672	580	16	59	(482)	nm	nm
Operating margin (%)	7.8	7.1			(7.1)		
Diluted earnings/(loss) per share (\$)	0.68	0.76	(11)	37	(1.09)	nm	nm
<b>Core results*</b>							
Core operating income*	1,571	1,443	9	26	789	83	78
Core operating margin* (%)	18.2	17.6			11.7		
Core diluted earnings per share* (\$)	2.24	2.15	4	23	1.04	107	101
Net cash flows from operating activities	1,217	1,345			823		
Free cash flow*	581	645			350		



## Our 2022 IFRS results include the following items:

Amortization of certain intangible assets of **\$588 million**

Impairments of **\$62 million** on intangible assets

Transformation costs of **\$119 million**; life-to-date, transformation costs were **\$288 million**

Legal items of **\$90 million**

Acquisition and integration related costs of **\$64 million**

Increased interest and other financial expense

The recognition of an Advance Pricing Agreement between the US and Swiss tax authorities for fiscal years 2019 through 2022

\* A non-IFRS measure. Please refer to Item 5 of this Annual Report for additional information and a reconciliation to the most directly comparable measure presented in accordance with IFRS.





In 2022, net sales to third parties increased 5%, or 11% on a constant currency basis.\* This growth was driven by market improvements across most geographies from the COVID-19 pandemic, product innovation and sales from recent acquisitions.

Surgical sales benefited from continued strong demand for for the portfolio of advanced technology intraocular lenses, led by *Vivity*, the only non-diffractive presbyopia-correcting intraocular lens globally, as well as sales of the *Hydrus* Microstent. The Surgical franchise also saw strong demand for cataract equipment.

Vision Care sales benefited from demand for our portfolio of silicone hydrogel contact lenses, including the *DAILIES TOTAL1* and *PRECISION1* families of daily disposable lenses, and the *TOTAL30* reusable lens, as well as price increases. We also saw strong demand for for our portfolio of eye drops, including recently acquired pharmaceutical products and *Systane*. Sales in ocular health were negatively impacted by supply chain challenges, primarily in contact lens care.

Both franchises were negatively impacted by foreign currency.

Operating margin increased 0.7 percentage points and 3.0 percentage points on a constant currency basis.\* Core operating margin\* expanded by 0.6 basis points over 2021, and 2.4 percentage points on a constant currency basis.\*

We generated \$1.2 billion in net cash from operating activities and \$581 million in free cash flow\*, while continuing to expand our contact lens manufacturing capacity.

\* A non-IFRS measure. Please refer to Item 5 of this Annual Report for additional information and a reconciliation to the most directly comparable measure presented in accordance with IFRS.

## Executive Committee

The Executive Committee of Alcon includes the following members:



**David Endicott**  
Chief Executive Officer



**Laurent Attias**  
Head Corporate Development, Strategy, Business Development and Licensing (BD&L) and Mergers and Acquisitions (M&A)



**Ian Bell**  
President, Global Business & Innovation



**Sergio Duplan**  
President, North America



**Sue-Jean Lin**  
SVP, Chief Information & Transformation Officer



**Rajkumar Narayanan**  
President, International



**Tim Stonesifer**  
Chief Financial Officer



# Portfolio Update

## Surgical Portfolio

### Implantables

#### 34% of net sales

Alcon offers a broad range of intraocular lenses ("IOLs") and leads the market in both monofocal IOLs and advanced technology IOLs ("AT-IOLs"). Alcon's portfolio of AT-IOLs is comprised of *PanOptix*, the leading trifocal IOL, and *Vivity*, a non-diffractive extended depth of focus IOL. During 2022, Alcon expanded its implantables portfolio with the *Hydrus* Microstent, a minimally invasive glaucoma stent, with the acquisition of Ivantis.

### Consumables

#### 50% of net sales

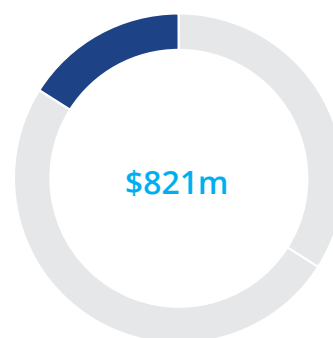
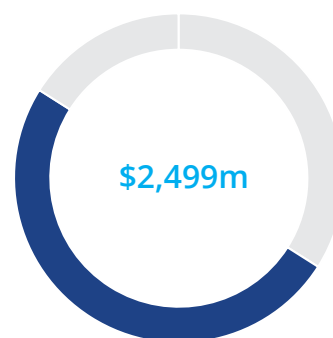
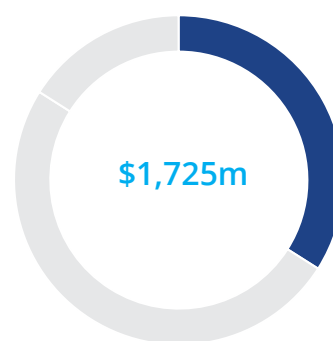
Alcon offers *Custom Pak* surgical procedure packs for use in ophthalmic surgery. Unlike conventional procedure packs, *Custom Paks* allow surgeons to customize the products included in their packs, which results in increased convenience, efficiency and value, as well as less waste. We offer more than 10,000 configurations of our *Custom Paks* globally.

### Equipment/Other

#### 16% of net sales

The breadth of Alcon's equipment portfolio is unique in the market. The portfolio includes the industry-leading *Centurion* phacoemulsification machine, the *Constellation* vitreoretinal device, as well as microscopes and lasers. Additionally, we continue to grow in the diagnostics space with the *ARGOS* biometer, which continues to be well received by doctors and clinicians.

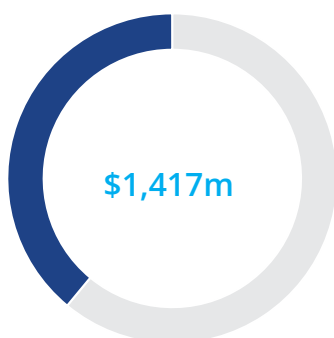
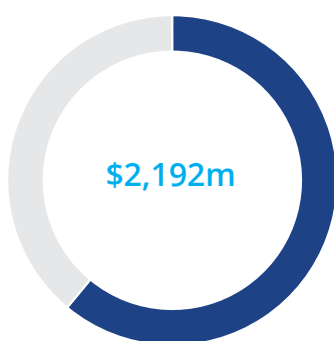
## Net Sales USD in million







### Net Sales USD in million



## Vision Care Portfolio

### Contact Lenses

#### 61% of net sales

In 2022, Alcon launched *DAILIES TOTAL1* for Astigmatism in the US and Europe. *DAILIES TOTAL1* for Astigmatism has been eagerly anticipated by eye care professionals, and with the launch of *DAILIES TOTAL1* for Astigmatism, Alcon now has a spherical, multifocal and toric offering for premium dailies wearers. We also continued to rollout *TOTAL30*, the first and only monthly replacement, water gradient contact lens. This product extends Alcon's *TOTAL* brand family for premium lens wearers into the large reusable contact lens market.

### Ocular Health

#### 39% of net sales

During 2022, Alcon expanded its presence in ocular health with the addition of the ophthalmic pharmaceutical products *Eysuvis* and *Inveltys*, as well as *Rocklatan* and *Rhopressa*. These eye drops complement Alcon's existing portfolio of eye drops, which also includes *Systane*, *Pataday* and *Simbrinza*. With these additions, Alcon expanded its leadership in the large ocular health market.

**To build upon the success of *Systane*, Alcon launched two new multi-dose preservative-free artificial tears.**



# Corporate Responsibility

## Brilliant Lives

With our partner organizations, we enable communities to access critical eye care services



## Brilliant Innovation

Our diverse talent from around the world innovates best-in-class products that change lives



## Brilliant Planet

We care for our planet by focusing on reducing emissions and waste



Alcon aspires to improve lives, strengthen communities and create long-term value by innovating products that improve sight. Our strategy leads with our commitment to enable communities to access critical eye care services so that everyone can *See Brilliantly*. It is focused on three areas: Brilliant Lives, Brilliant Innovation and Brilliant Planet, and includes social and environmental impact goals to hold ourselves accountable and measure progress.

## 2022 Highlights

- **The Phaco Development ("PD") Program:** Since the program's inception in 2008, the PD program has trained more than 5,000 surgeons in core and advanced phacoemulsification courses, the standard in cataract care. As a result, more than 7 million people in Asia, China and India have received sight-enhancing or sight-restoring procedures to date.
- **The Alcon Children's Vision Program:** For more than 10 years, the Alcon Foundation has engaged service delivery partners to help children from low-income families receive the eye care they need to learn and grow. During the 2021-2022 school year, we partnered with a large local school district on a pilot program where Alcon volunteers, school nurses and partners screened more than 35,000 students at 79 elementary schools.
- **GreenIST:** Our Green Innovations Surgical Team identifies opportunities to increase sustainability measures and reduce waste. For example, we replaced Styrofoam used in shipping ophthalmic visco surgical devices in the U.S. with an environmentally friendly Green Cell Foam, eliminating more than 12,800 lbs. (~5,443 kg.) of waste annually.

For additional information, please see our 2021 Corporate Responsibility Report.





## Our Approach to Corporate Responsibility

Alcon approaches corporate responsibility with the same commitment to continuous improvement and breakthrough innovation we bring to everything we do. We strive to integrate our objectives into our decision-making through a strong governance structure that includes Board of Directors' accountability and a dedicated Global Head of Corporate Responsibility who oversees performance and initiatives. In addition, we factor our metrics into all Executive Leadership Team members' performance goals that impact annual remuneration.



## Our Goals



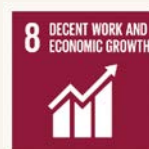
### Social Impact:\*

- By 2025, Alcon's philanthropic support and training programs will **help improve vision for 5 million people** afflicted with untreated cataracts in low- and middle-income countries, **including 1 million considered cataract-blind\*\***
- By 2025, Alcon associates will help improve vision and enhance academic success by conducting 150,000 vision screenings to children and ensuring comprehensive care for those in need



### Environmental Impact:

- By 2030**, Alcon will become carbon neutral across global operations (Scope 1 and Scope 2 emissions)
- By 2030**, Alcon will divert 100% of non-hazardous waste generated at manufacturing sites and distribution centers from landfill



### Foundational To Our Strategy:

- Best-in-class Workforce
- Inclusive Culture
- Safety
- Ethics & Integrity
- Strong Governance

\* 2021 Baseline

\*\* As defined by the World Health Organization, Blindness and Vision Impairment



# Innovation

At our core, we are an innovation company. We root our innovation on a deep understanding of our customers' needs. Alcon has one of the largest Research & Development commitments in the industry, and it is supported by our 1,600 R&D associates with expertise in areas like optics, material science, chemistry, software, hardware, manufacturing and technical operations.

In Surgical, Alcon's innovation has been winning with doctors and their patients. *PanOptix* remains the only trifocal available in the United States, and *Vivity*'s light-bending solution now offers surgeon an AT-IOL solution without the visual disturbances of a diffractive lens. Also in Surgical, Alcon added the *Hydrus* Microstent to its portfolio in 2022. Longstanding clinical safety and efficacy data is a cornerstone of *Hydrus* Microstent and its market adoption, including sustained reduction in medication use and the need for invasive secondary glaucoma surgery.

And in Vision Care, Alcon's innovation continues to meet evolving market needs. In 2022, Alcon launched *DAILIES TOTAL1* for Astigmatism, which has been eagerly anticipated by eye care professionals since the launch of *DAILIES TOTAL1* sphere, and with *DAILIES TOTAL1* Multifocal, this now completes Alcon's premium dailies portfolio of lenses. Alcon also has expanded its reusable premium portfolio with the launch of *TOTAL30*, the first innovation in the reusable space in years.

In 2022, Alcon also expanded its portfolio of ocular health products with the addition of *Rocklatan* and *Rhopressa*. These additions complement Alcon's expansion into the ophthalmic pharmaceutical space, which also included the addition of *Eysuvis* and *Invectys* in 2022.





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# INTRODUCTION AND USE OF CERTAIN TERMS

Alcon Inc. publishes Consolidated Financial Statements expressed in US dollars. Our Consolidated Financial Statements responsive to Item 18 of this Annual Report filed on Form 20-F with the US Securities and Exchange Commission (the "Annual Report") are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). "Item 5. Operating and Financial Review and Prospects", together with "Item 4.B. Business Overview" and "Item 6.D. Employees", constitute the Operating and Financial Review ("Rapport annuel"), as defined by the Swiss Code of Obligations.

Unless the context requires otherwise, the words "we", "our", "us", "Alcon", "Company" and similar words or phrases in this Annual Report refer to Alcon Inc. and its consolidated subsidiaries and the words "Novartis", "Novartis Group" and "Former Parent" refer to Novartis AG and its consolidated affiliates. The term "Alcon Division" means the Alcon business as it was operated under Novartis. The term "Spin-off" refers to the distribution of a dividend-in-kind of Alcon shares to Novartis shareholders and American Depositary Receipt holders as approved by Novartis shareholders at their Annual General Meeting held on February 28, 2019. In this Annual Report, references to the "eye care market" are to the Surgical and Vision Care markets in which we participate, including the sale of ophthalmic surgical devices, contact lenses and ocular health products, but not including the sale of spectacles and prescription ophthalmic pharmaceutical products other than glaucoma pharmaceutical products; references to "United States dollars", "US dollars", "USD" or "\$" are to the lawful currency of the United States of America, and references to "CHF" are to Swiss francs, the lawful currency of Switzerland; references to "International" are to the entire world except the United States of America, unless the context otherwise requires; references to "associates" are to our employees; references to the "SEC" are to the US Securities and Exchange Commission; references to the "FDA" are to the US Food and Drug Administration; references to "EMA" are to the European Medicines Agency, an agency of the EU; references to the "NYSE" are to the New York Stock Exchange; references to the "SIX" are to the SIX Swiss Exchange; references to "AT-IOL" mean advanced technology intraocular lenses; and references to "Alcon shares" or "our shares" are to Alcon ordinary shares, nominal value CHF 0.04 per share, with ticker symbol "ALC."

All product names appearing in *italics* are trademarks owned by or licensed to Alcon or its subsidiaries. Product names identified by a "®" or a "™" are trademarks that are not owned by or licensed to Alcon or its subsidiaries and are the property of their respective owners.

## MARKET INFORMATION

This Annual Report contains certain industry and market data that were obtained from third-party sources, such as industry surveys and industry publications, including, but not limited to, publications by Market Scope, GfK and Nielsen. This Annual Report also contains other industry and market data, including market sizing estimates, growth and other projections and information regarding our competitive position, prepared by our management on the basis of such industry sources and our management's knowledge of and experience in the industry and markets in which we operate (including management's estimates and assumptions relating to such industry and markets based on that knowledge). Our management has developed its knowledge of such industry and markets through its experience and participation in these markets.

In addition, industry surveys and industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and that any projections they contain are based on a number of significant assumptions. Forecasts, projections and other forward-looking information obtained from these sources involve risks and uncertainties and are subject to change based on various factors, including those discussed in the section "Special Note About Forward-Looking Statements" below. You should not place undue reliance on these statements.



# SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report 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 we make regarding our liquidity, revenue, gross margin, operating margin, effective tax rate, foreign currency exchange movements, earnings per share, our plans and decisions relating to various capital expenditures, capital allocation priorities and other discretionary items such as our transformation program, market growth assumptions, our sustainability and diversity plans, targets, goals and expectations, and generally, our expectations concerning our future performance. You should not place undue reliance on these statements.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our 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:

- cybersecurity breaches or other disruptions of our information technology systems;
- compliance with data privacy, identity protection and information security laws;
- our ability to comply with the US Foreign Corrupt Practices Act of 1977 and other applicable anti-corruption laws, particularly given that we have entered into a three-year Deferred Prosecution Agreement with the US Department of Justice;
- the impact of a disruption in our global supply chain or important facilities;
- supply constraints and increases in the cost of energy;
- our ability to forecast sales demand and manage our inventory levels and the changing buying patterns of our customers;
- our ability to manage environmental, social and governance matters to the satisfaction of our many stakeholders, some of which may have competing interests;
- our success in completing and integrating strategic acquisitions;
- the success of our research and development efforts, including our ability to innovate to compete effectively;
- global and regional economic, financial, legal, tax, political and social change;
- our ability to comply with all laws to which we may be subject;
- pricing pressure from changes in third party payor coverage and reimbursement methodologies;
- our ability to properly educate and train healthcare providers on our products;
- our reliance on outsourcing key business functions;
- our ability to attract and retain qualified personnel;
- the impact of unauthorized importation of our products from countries with lower prices to countries with higher prices;
- the ability to obtain regulatory clearance and approval of our products as well as compliance with any post-approval obligations, including quality control of our manufacturing;
- our ability to protect our intellectual property;
- our ability to service our debt obligations;
- the need for additional financing through the issuance of debt or equity;
- the effects of litigation, including product liability lawsuits and governmental investigations;
- effect of product recalls or voluntary market withdrawals;



- the accuracy of our accounting estimates and assumptions, including pension and other post-employment benefit plan obligations and the carrying value of intangible assets;
- legislative, tax and regulatory reform;
- the impact of being listed on two stock exchanges;
- the ability to declare and pay dividends;
- the different rights afforded to our shareholders as a Swiss corporation compared to a US corporation; and
- the effect of maintaining or losing our foreign private issuer status under US securities laws.

Some of these factors are discussed in more detail in this Annual Report, including under “Item 3. Key Information—3.D. Risk Factors”, “Item 4. Information on the Company” and “Item 5. Operating and Financial Review and Prospects”. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Annual Report as anticipated, believed, estimated or expected. We provide the information in this Annual Report as of the date of its filing. We do not intend, and do not assume any obligation, to update any information or forward-looking statements set out in this Annual Report as a result of new information, future events or otherwise.



# PART I

## ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

### 1.A. DIRECTORS AND SENIOR MANAGEMENT

Not Applicable.

### 1.B. ADVISERS

Not Applicable.

### 1.C. AUDITORS

Not Applicable.



## **ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not Applicable.



## **ITEM 3. KEY INFORMATION**

### **3.A. [RESERVED]**

### **3.B. CAPITALIZATION AND INDEBTEDNESS**

Not Applicable.

### **3.C. REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not Applicable.



### 3.D. RISK FACTORS

You should carefully consider the risks described below, together with all of the other information included in this Annual Report, in evaluating Alcon and our securities. The following risk factors could adversely affect our business, financial condition and results of operations and the price of our securities.

#### Risks Related to Our Business Generally

***Significant cybersecurity breaches could disrupt business operations, result in the loss of critical and confidential information and adversely impact our reputation and results of operations.***

We are heavily dependent on critical, complex and interdependent information technology systems, including Internet-based systems, to support our business processes. We are also increasingly seeking to develop technology-based products to improve patient welfare in a variety of ways, which could also result in us gathering personal information about patients and others electronically. Failure to update software that runs on our medical devices could increase the vulnerability of those devices to attacks by criminals, which could adversely impact a healthcare facility's operations, patient safety, data confidentiality and data integrity.

The size and complexity of these information technology systems, and, in some instances, their age, make them potentially vulnerable to external or internal security incidents, breakdowns, malicious intrusions, cybercrimes, including state-sponsored cybercrimes, malware, misplaced or lost data, programming or human errors or other similar events. Furthermore, because cyber-threats continue to evolve and become more sophisticated, it is becoming increasingly difficult to detect and successfully defend against them, particularly because there is strong competition to hire a limited pool of individuals with a cybersecurity skill set. Consequently, there is a risk that a cybersecurity breach remains undetected for a period of time.

Like many companies, our technology landscape has become more complex as we also rely on our third party partners to be cyber-resilient. We have experienced certain adverse incidents and expect to continue to experience them in the future and, as the external cyber-attack threat only keeps growing, we may not be able to prevent future breakdowns or breaches in our systems (or those of our third party partners) and we may not be able to prevent such events from having a material adverse effect on our business, financial condition, results of operations or reputation.

A cybersecurity breach could negatively impact important business processes, such as the conduct of scientific research and clinical trials, the submission of the results of such efforts to health authorities in support of requests for product approvals, the functioning of our manufacturing and supply chain processes, our compliance with legal obligations and our other key business activities, including our associates' ability to communicate with one another and with third parties. These risks have been heightened recently as many of our office-based associates work from home part of the week. Such potential information technology issues could also lead to the loss of important information such as trade secrets or other intellectual property and could accelerate the development or manufacturing of competing products by third parties. Furthermore, malfunctions in software or in devices that make significant use of information technology, including our surgical equipment, could lead to a risk of harm to patients.

Cybersecurity breaches, technology disruptions, privacy violations, or similar issues could cause the loss of trade secrets or other intellectual property, expose personal information and interrupt our operations, all of which could result in enforcement actions or liability, including potential government fines, claims for damages, remediation costs and shareholders' litigation. Any such events could require us to expend significant resources beyond those we already invest to further modify or enhance our protective measures, to remediate any damage and to enable the continuity of our business.

***Data privacy, identity protection and information security compliance may require significant resources, and our failure to comply with applicable law could lead to significant liability.***

Our routine business operations, including through the use of information technologies such as the Internet, social media, mobile technologies and technology-based medical devices like our surgical equipment, increasingly involve our collecting, storing, accessing, and processing personal data and other information about patients, vendors, customers, associates, collaborators and others that are subject to privacy and security laws, regulations and customer-imposed controls. Failure to protect that information could expose such people's personal information to unauthorized persons. Any such event could give rise to significant potential liability and reputational harm, including potentially substantial monetary penalties.

We are subject to certain privacy laws and regulations that continue to evolve, including Swiss privacy laws, the EU's General Data Protection Regulation and the California Consumer Privacy Act. In addition, there are different and potentially conflicting data privacy laws in effect in the various jurisdictions in which we operate and we must understand and comply with each law and standard in each of these jurisdictions while ensuring the data is secure. In addition, we



must make significant efforts to ensure that any international transfers of personal data are done in compliance with applicable law. Failure to comply with these laws could lead to significant monetary liability and reputational damage.

***If we breach the Deferred Prosecution Agreement with the US Department of Justice, then resulting actions by the DoJ could have a material adverse effect on our business, financial condition, results of operations or cash flows.***

On June 25, 2020, Alcon entered into a three-year Deferred Prosecution Agreement ("DPA") with the US Department of Justice ("DoJ") regarding a charge that Alcon Pte Ltd. conspired to falsify financial books and records in violation of the US Foreign Corrupt Practices Act of 1977, as amended ("FCPA"). 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 DPA, the DoJ has agreed to defer prosecution for three years of the facts acknowledged by us that occurred between 2007 and 2014, after which period the charges will be dismissed with prejudice if we do not violate the terms of the DPA. If the DoJ determines that we have breached the DPA, the length of the DPA could be extended, the terms could be modified, a monitor could be appointed and/or we could be subject to prosecution and additional fines or penalties, including the deferred charges. Criminal prosecution or sanctions could have a material adverse effect on our business, including reputational damage, financial condition, results of operations or cash flows.

***Disruptions in our global supply chain or important facilities could cause production interruptions, delays and inefficiencies.***

We are engaged in manufacturing and sourcing of products and materials on a global scale. Our operations and those of our suppliers could be disrupted by a number of factors, including: disruptions in logistics; strikes and other labor disputes; loss or impairment of key manufacturing sites; loss of key suppliers; supplier capacity constraints; raw material and product quality or safety issues; inflation; industrial accidents or other occupational health and safety issues; the impact on our suppliers of tighter credit or capital markets; epidemics and pandemics; and natural and man-made disasters, including climatic events (including any potential effect of climate change), power grid failures, acts of war or terrorism, workplace violence; political unrest, fires or explosions and other external factors over which we have no control.

In addition, we single-source or rely on limited sources of supply for some components, raw materials and production services, such as sterilization, used in the production of our products. The loss of one of these suppliers or the inability of any such supplier to meet performance and quality specifications, requested quantities or delivery schedules could cause our sales and profitability to decline and have a negative impact on our customer relations. Moreover, a price increase from a supplier where we do not have a supply alternative could cause our profitability to decline if we cannot increase our prices to our customers. To ensure sufficient supply, we may determine that we need to provide financing to some subset of our supplier base, which could increase our financial exposure to such suppliers.

In the past couple of years, we have incurred shortages of critical components. For example, in 2022, our contact lens care business was impacted by a shortage of components used to manufacture the bottles. In 2021, there was a global shortage of semiconductor chips, which are an essential component to the manufacture of our equipment. These types of shortages have resulted, and may continue to result, in delays in the manufacture of our products, increased costs to source alternative supplies, harm to our reputation, loss of business to competitors, and otherwise materially and adversely affect our business and operations.

Finally, in some cases, we manufacture our products at a single manufacturing facility. In many cases, regulatory approvals of our products are limited to a specifically approved manufacturing facility. If we fail to produce enough of a product at a facility, or if our manufacturing process at that facility is disrupted, we may be unable to deliver that product to our customers on a timely basis. Problems may arise during the manufacturing process for a variety of reasons, including technical, labor or other difficulties, equipment malfunction, contamination, failure to follow specific protocols and procedures, destruction of or damage to any facility (as a result of a natural or man-made disaster, use and storage of hazardous materials or other events), power grid failures or other reasons. In the event of a quality control issue, we may voluntarily, or our regulators may require us to, close a facility indefinitely. If any such problems arise, we may be unable to purchase substitute products from third-party manufacturers to make up any resulting shortfall in the production of a product, as such third-party manufacturers may only exist in limited numbers or appropriate substitutes may not be available. This risk is particularly relevant with respect to products for which we represent a substantial portion of the market, such as vitreoretinal equipment and other vitreoretinal-related products including viscoelastic. A failure to deliver products on a timely basis could lead to customer dissatisfaction and damage to our reputation. Significant delays in the delivery of our products or a delay in the delivery of a key product could also negatively impact our sales and profitability.



***Continued energy supply constraints and increases in the cost of energy, including as a result of the ongoing conflict in Ukraine, could adversely impact our results of operations.***

We use natural gas and electricity to operate our manufacturing plants, and these operations can be directly affected by volatility in the cost and availability of energy, which is often subject to factors outside of our control. The ongoing conflict between Russia and Ukraine has impacted global energy markets, particularly in Europe where we have several manufacturing plants, leading to high volatility and increased prices for natural gas and electricity. Reductions in the supply of natural gas from Russia to Europe have led to ongoing supply shortages in Europe, and European Union member states have recently agreed to a voluntary short-term reduction of natural gas usage as a result of these shortages. Continued natural gas supply shortages, or a shutdown of natural gas supply from Russia, could lead to additional price increases, energy supply rationing, or temporary reduction in operations or closure of our manufacturing plants leading to an inability to meet demand and harm to our reputation with healthcare providers and patients, all of which could have a material adverse impact on our business or results of operations.

***Our inability to forecast demand accurately may adversely affect our sales and earnings and add to sales variability from quarter to quarter.***

We balance the need to maintain inventory levels that are sufficient to ensure competitive lead times against the risk of inventory obsolescence because of changing customer requirements, fluctuating commodity prices, changes to our products, product transfers or the life cycle of our products. To successfully manage our inventories, we must estimate demand from our customers and produce products in sufficient quantity that substantially corresponds to that demand. If we fail to adequately forecast demand for any product, or fail to determine the optimal product mix for production purposes, we may face production capacity issues in manufacturing sufficient quantities of a given product. In addition, failures in our information technology systems or human error could also lead to inadequate forecasting of our overall demand or product mix.

As the number of unique products (SKUs) we offer grows, particularly an increasing number of IOL and contact lens styles with varying diopters, the demand forecasting precision required for us to avoid production capacity issues will also increase. Accordingly, the continued proliferation of unique SKUs in our surgical and vision care portfolios could increase the risk of product unavailability and lost sales. Moreover, an increasing number of SKUs could increase global inventory requirements, especially for consigned products such as IOLs, negatively impacting our working capital performance and leading to write-offs due to obsolescence and expired products.

Compounding the risk of inaccurate forecasts, the manufacturing process for our products has lengthy lead times to acquire and install new equipment and product lines to ramp up production. Thus, if we fail to adequately forecast demand, then we may be unable to scale production in a timely manner to meet unexpected higher demand.

Finally, a significant portion of our vision care products are sold to major healthcare distributors and major retail chains in certain markets. Consequently, our sales and quarterly growth comparisons, as well as our estimates for required inventory levels, may be affected by fluctuations in the buying patterns of such buyers. These fluctuations may result from seasonality, pricing, a recall of a competitor's product, large retailers' and distributors' buying decisions or other factors. If we overestimate demand and produce too much of a particular product, we face a risk of inventory obsolescence, leaving us with inventory that we cannot sell profitably or at all. By contrast, if we underestimate demand and produce insufficient quantities of a product, we could be forced to choose between producing additional unexpected quantities of that product at a higher price or foregoing sales.

***Environmental, social and governance matters may impact our business and reputation.***

In addition to the importance of our financial performance, investors, investor advocacy groups, lenders, and other market participants are increasingly judging companies by their performance on a variety of environmental, social and governance ("ESG") matters, which are considered to contribute to the long-term sustainability of companies' performance. To help judge a company's ESG performance, a variety of organizations rate a company's ESG performance based on a variety of ESG topics, and the results of these assessments are widely publicized. In addition, some investors now use ESG criteria to determine whether Alcon qualifies for inclusion in their investment portfolio while investment in funds that specialize in companies that perform well in ESG assessments are increasingly popular. Topics taken into account in such assessments include, among others, our efforts and impacts on climate change and human rights, diversity and inclusion, ethics and compliance with law, the role of our board of directors in supervising various sustainability issues and the public's ability to access our products and solutions.

We are frequently asked by investors and other stakeholders to set ambitious ESG goals and provide new and more robust disclosure on goals, progress toward goals and other matters of interest to ESG stakeholders. In addition, a number of our customers, particularly EU and UK governments, have adopted, or may adopt, procurement policies that impose sustainability standards. Our ability to sell to these customers, including the ability to win public tenders, may depend, in part, on whether we can meet, and provide evidence of meeting, those sustainability standards. In response, we have



adapted the tracking and reporting of our corporate responsibility program to various evolving ESG frameworks, and we have established and announced goals and other objectives related to ESG matters. These goal statements reflect our current plans and aspirations and, due to various factors many of which are beyond our control, we may be unable to achieve them. Our efforts to accomplish and accurately report on these goals and objectives present numerous operational, reputational, financial, legal and other risks, any of which could have a material negative impact, including on our reputation and stock price.

The standards for tracking and reporting on ESG matters are relatively new, have not been harmonized and continue to evolve. Our selection of disclosure frameworks that seek to align with various reporting standards may change from time to time and may result in a lack of consistent or meaningful comparative data from period to period. In addition, the US, Swiss, European, and other regulatory authorities may impose mandatory disclosure requirements with respect to ESG matters, and such standards may change over time, which could result in significant revisions to our current goals, reported progress in achieving such goals, or ability to achieve such goals in the future. In addition, enhancements to our processes and controls to reflect evolving reporting standards may be costly and require additional resources.

If our ESG practices do not meet evolving investor or other stakeholder expectations and standards, then our reputation, our ability to attract or retain associates, our ability to compete, and our attractiveness as an investment could be negatively impacted. Similarly, our failure or perceived failure to pursue or fulfill our goals, targets and objectives or to satisfy various reporting standards within the timelines we announce, or at all, could also have similar negative impacts and expose us to government enforcement actions and private litigation.

***We may not successfully complete and integrate strategic acquisitions to expand or complement our business.***

As part of our growth strategy, we regularly evaluate and pursue external investments, alliances, license arrangements, acquisitions and other transactions, which we collectively refer to as "BD&L" transactions, to expand or complement our business. For example, in 2022, we closed the acquisitions of Ivantis, Inc. and Aerie Pharmaceuticals, Inc., as well as the product acquisitions from Kala Pharmaceuticals, Inc. These and other ventures may bring new technologies, products or customers to enhance our position in the ophthalmic industry. We may be unable to identify suitable acquisition candidates at attractive prices or at all. Acquisition activities can be thwarted by overtures from competitors for the targeted candidates and governmental regulation (including market concentration limitations and other competition laws).

Further, even if we are successful in completing an acquisition, we could face risks relating to our ability to:

- successfully integrate the venture due to corporate cultural differences, difficulties in retaining key personnel, customers and suppliers, coordination with other products and changing market preferences;
- maintain uniform standards, controls, procedures and policies throughout acquired companies, including effective integration of acquired companies into our internal control over financial reporting;
- achieve expected synergies and obtain the desired financial or strategic benefits from acquisitions within the anticipated time periods, if at all; and
- successfully enter categories and markets in which we may have limited or no prior experience.

Moreover, acquisitions demand significant company resources and could divert management's attention from our existing business, result in liabilities being incurred that were not known at the time of acquisition or create tax or accounting issues. Furthermore, acquisitions or ventures could also result in potentially dilutive issuances of equity securities, the incurrence of debt, the assumption of contingent liabilities, an increase in expenses related to certain assets and increased operating expenses, all of which could adversely affect our financial condition and results of operations. Significant judgment is required to determine which transactions will result in optimal returns, and to the extent that the economic benefits associated with any of our acquisitions or investments do not meet our expectations, we may be required to record impairment charges related to goodwill, intangible assets or other assets associated with such transactions.

We often enter into option agreements to acquire early-stage technologies, which may fail in the development process or proof-of-concept stage. Even if such a failure occurs before we exercise our option to acquire the technology, we may have already made a significant investment in the failed technology. Further, if we complete the acquisition, we may not be able to successfully integrate the acquired technology into our business or otherwise use it to develop commercialized products. If we fail to timely recognize or address these matters or to devote adequate resources to them, we may fail to achieve our growth strategy or otherwise not realize the intended benefits of an acquisition.

***We operate in a highly competitive industry and if we fail to innovate, we may be unable to maintain our position in the markets in which we compete and unable to build and expand our markets.***

Our industry is highly competitive and, in both our surgical and vision care businesses, we face intense competition. For example, in our surgical business, we face a mixture of competitors ranging from large manufacturers with multiple business lines to small manufacturers that offer a limited selection of specialized products. Development by other



companies of new or improved products, processes or technologies may make our products or proposed products less competitive or obsolete. In contact lenses, we face intense competition from existing competitors' products and expect increased competition from contact lens manufacturers in Asia. New market entrants and existing competitors are also challenging distribution models with innovation in non-traditional, disruptive models such as direct-to-consumer, Internet and other e-commerce sales opportunities, which could adversely impact the importance of the traditional eye care professional ("ECP") channel in which we have a significant presence and may lead to greater pricing pressure. Our vision care business also competes with manufacturers of eyeglasses and providers of other forms of vision correction including ophthalmic surgery. New drug discoveries have the potential to disrupt core elements of our surgical and vision care businesses.

While we currently enjoy leading positions within our industry, our success highly depends on our ability to maintain or build on those leading positions. We cannot predict the timing or impact of the introduction of competitive products, including new market entries, "generic" versions of our approved products, or private label products that treat the same conditions as those of our products. To compete effectively, we must continue to create, invest in or acquire advanced technology, incorporate this technology into our proprietary products, obtain regulatory approvals in a timely manner where required and manufacture and successfully market our products. See "-We may not successfully complete and integrate strategic acquisitions to expand or complement our business" and "-Our research and development efforts may not succeed in bringing new products to market or may fail to do so in a cost-efficient manner or in a manner sufficient to grow our business, replace lost sales or take advantage of new technologies."

Shifts in industry market share can occur in connection with product issues, physician advisories, safety alerts and publications about our products. New products from our competitors may be safer or more effective, more convenient to use, have better insurance coverage or reimbursement levels or be more effectively marketed than our own products. Specifically in the case of pharmaceuticals, the generic versions of our competitors' branded products or our own branded products may be sold at a substantially lower price than our own products. Further, in the current environment of managed care, consolidation among healthcare providers, increased competition and declining reimbursement rates, unless we innovate, we must increasingly compete on the basis of price.

Finally, our financial performance also depends on our ability to successfully build and expand our markets. For example, while we currently expect our key markets to grow, particularly in multifocal contact lenses and AT-IOLs, the size of the markets in which we compete may not increase above existing levels, we may not be able to regain or gain market share, expand our market penetration or the size of the market for our products or compete effectively, and the number of procedures in which our products are used may not increase above existing levels. Decreases in market sizes or our market share and declines in average selling prices or procedural volumes could materially adversely affect our results of operations or financial condition. Furthermore, our failure to expand our markets beyond existing levels could impact our ability to grow in line with or above current industry standards. Moreover, our ability to respond to competitive pressures will depend on our ability to decrease our costs, maintain gross margins and operating results, achieve manufacturing efficiencies and maintain manufacturing capacity.

***Our research and development efforts may not succeed in bringing new products to market or may fail to do so in a cost-efficient manner or in a manner sufficient to grow our business, replace lost sales or take advantage of new technologies.***

Our ability to continue to maintain and grow our business, to replace sales lost due to competition and to bring to market products that take advantage of new and potentially disruptive technologies depends heavily on the success of our research and development activities. Our success relies on our ability to identify and successfully develop cost-effective new products that address unmet medical and consumer needs. To accomplish this, we commit substantial financial, human and capital resources to product research and development, both through our internal dedicated resources and through BD&L transactions. Developing and marketing new products involves a costly, lengthy and uncertain process. Even when our new product development projects make it to market, there have been, and in future may be, instances where projects are subsequently discontinued for technical, clinical, regulatory or commercial reasons. In spite of our investments, our research and development activities and external investments may not produce commercially successful new products that will enable us to replace sales lost to our competitors or increase revenue to grow our business. We may not be able to successfully identify and obtain value from our external business development and strategic collaborative efforts. In addition, our new products may cannibalize a portion of the revenues we derive from existing products, therefore driving replacement revenue instead of incremental revenue.

Further, even if we are able to secure regulatory approval and achieve initial commercial success of our products, our products may abruptly cease to be commercially viable due to the discovery of adverse health effects. See "-We may implement product recalls or voluntary market withdrawals of our products."

If we are unable to maintain a cost-effective flow of successful new products sufficient to maintain and grow our business, cover any sales erosion due to competition and take advantage of market opportunities, this lack of innovation could have a material adverse effect on our business, financial condition or results of operations. For a description of the government



approval processes which must be followed to market our products, see "-Regulatory clearance and approval processes for our products are expensive, time-consuming and uncertain, and the failure to obtain and maintain required regulatory clearances and approvals could prevent us from commercializing our products" and "Item 4. Information on the Company-4.B. Business Overview-Government Regulation".

***Changing economic and financial environments in many countries and increasing global political and social instability may adversely impact our business.***

We sell our products in more than 140 countries. As a result, local and regional economic and financial environments and political and social conditions throughout the world influence and affect our results of operations and business.

Unpredictable political and social conditions currently exist in various parts of the world, particularly in emerging markets, including a backlash against free trade, anti-immigrant sentiment, social unrest, a refugee crisis, food and water shortages, COVID-19 related actions, terrorism and the risk of direct conflicts between nations. In addition, the current trade environment is extremely volatile, including the imposition of trade tariffs, trade or economic sanctions, or other restrictions. Changes in trade policy vis-à-vis countries that we operate in could affect our ability to sell products and/or increase the cost of doing business in such countries. For example, we expect that the ongoing trade dispute between the US and China, which has been exacerbated over tensions involving Taiwan, could potentially have an adverse effect on the export of our surgical equipment to China. Similarly, following the UK's "Brexit" and with the rise of nationalist, separatist and populist sentiment in various countries, there is a risk that barriers to free trade and the free movement of people may rise in Europe. As we have a sizable commercial presence in the UK, the continuing uncertainty surrounding the effect of "Brexit" may impact our business in the UK and the rest of Europe, including our costs and the distribution of our products in those markets. In other cases, economic nationalism programs that require governments to purchase products made in their own country, such as the policies China has recently enacted, can make it difficult for us to compete. Further, significant conflicts continue in parts of the Middle East, including conflicts involving Saudi Arabia and Iran, and with respect to places such as North Korea, Ukraine, and Taiwan. Collectively, such difficult conditions could, among other things, disturb the international flow of goods and increase the costs and difficulties of international transactions.

In addition, local economic conditions may adversely affect the ability of payors, as well as our distributors, customers, suppliers and service providers, to pay for our products, or otherwise to buy necessary inventory or raw materials, and to perform their obligations under agreements with us. Although we make efforts to monitor these third parties' financial condition and their liquidity, our ability to do so is limited, and some of them may become unable to pay their bills in a timely manner, or may even become insolvent, which could negatively impact our business and results of operations. These risks may be elevated with respect to our interactions with fiscally-challenged government payors, or with third parties with substantial exposure to such payors. For example, we have significant outstanding receivable balances that are dependent upon either direct or indirect payment by various governmental and non-governmental entities across the world. The ultimate payment of these receivables is dependent on the ability of these governments to maintain liquidity primarily through borrowing capacity, particularly in the EU. If certain governments are not able to maintain access to liquidity through borrowing capacity, the ultimate payment of their respective portion of outstanding receivables could be at risk and impact profits and cash flow.

Further, in many emerging markets, average income levels are relatively low, government reimbursement for the cost of healthcare products and services is limited and prices and demand are sensitive to general economic conditions. These challenges may prevent us from realizing the expected benefits of our investments in such emerging markets, which could have an adverse impact on our business, financial condition and results of operations.

Economic conditions in our markets may also deteriorate due to epidemics or pandemics; natural and man-made disasters, including climatic events (including any potential effect of climate change), power grid failures, acts of war or terrorism, inflation, political unrest, fires or explosions; and other external factors over which we have no control.

To the extent that economic and financial conditions directly affect consumers, some of our businesses, including the elective surgical and contact lens businesses, may be particularly sensitive to declines in consumer spending, as the costs of elective surgical procedures and discretionary purchases of contact lenses are typically borne by individuals with limited reimbursement from their medical insurance providers or government programs. For example, while cataract surgery involving our monofocal IOLs is generally fully covered by medical insurance providers or government reimbursement programs, implantation of certain of our AT-IOL products may only be partially covered, with the individual paying out-of-pocket for the non-covered component. Accordingly, individuals may be less willing to incur the costs of these private pay or discretionary procedures or purchases in weak or uncertain economic conditions and may elect to forgo such procedures or products or to trade down to more affordable options.



***If we fail to comply with applicable anti-corruption and anti-bribery laws, export control laws, trade sanction laws, or other global trade laws, we could be subject to penalties and civil and/or criminal sanctions and our business could be materially adversely affected.***

We have extensive international operations and sell our product in more than 140 countries, including in countries that are perceived to have heightened levels of public sector corruption. Operating in such jurisdictions subjects us to increased scrutiny and heightens the risk of violating worldwide anti-bribery laws, including those that prohibit companies and their intermediaries from making improper payments to government officials or other third parties for the purpose of obtaining or retaining business, such as the FCPA, and laws that prohibit commercial bribery. Our internal control policies and procedures may not always protect us from reckless or criminal acts committed by our associates or agents.

In addition, we are required to comply with various global trade laws that apply to our worldwide operations, including import laws and export control and economic sanctions laws, which may affect our transactions with certain customers. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products or services. In other circumstances, we may be required to obtain an export license before exporting the item.

Compliance with the various import laws that apply to our businesses can restrict our access to, and increase the cost of obtaining, certain products and at times can interrupt our supply of imported inventory. Any noncompliance by us with applicable laws and regulations or the failure to maintain, renew or obtain necessary permits and licenses could result in criminal, civil and administrative penalties and could have an adverse effect on our results of operations. For example, as a result of Russia's invasion of Ukraine, the US, Swiss, EU and UK governments, among others, have developed coordinated sanctions and export control measure packages including: comprehensive financial sanctions against major Russian banks (including SWIFT cut off); additional designations of Russian individuals with significant business interests, involvement in Russian military activities, or government connections; and enhanced export controls and trade sanctions targeting Russia's imports of a wide range of goods as a whole. While not material to our overall sales, we have continued to ensure that patients and eye care professionals in Russia and Belarus have sustained, equal access to our eye care products and services. Our business must be conducted in compliance with applicable economic and trade sanction laws and regulations, many of which are changed or strengthened frequently often without much notice. Any violation of the applicable global trade laws could result in government investigations, adverse media coverage and criminal or civil sanctions, which could disrupt our business and adversely affect our reputation and business, results of operations, cash flows and financial condition.

***Changes in third-party payor coverage and reimbursement methodologies and potential regulatory price controls may adversely impact our ability to sell our products at prices necessary to support our current business strategy.***

The prices, sales and demand for some of our products, in particular our surgical and pharmaceutical products, could be adversely affected by the increased emphasis managed care organizations and governments continue to place on reducing health care costs. In addition, some third-party payors will not provide reimbursement for a new product until we demonstrate the innovative value or improved patient outcomes of the new product, which could impact our ability to grow the market for sales of the product. For our pharmaceutical products, we must compete to be placed on formularies of managed care organizations. Exclusion of a product from a formulary can lead to reduced usage in the managed care organization. There have also been recent initiatives by third-party payors to challenge the prices charged for medical products. Physicians, eye care professionals and other healthcare providers may be reluctant to purchase our products if they do not receive adequate reimbursement from third-party payors to cover the cost of those products and for procedures performed using those products. This risk can be heightened in times of higher inflation if reimbursement rates do not keep pace with increasing costs. Reductions in the prices for our products in response to these trends could reduce our profit margins, which would adversely affect our ability to invest and grow our business.

Governmental programs that typically reimburse at predetermined fixed rates may also decrease or otherwise limit amounts available through reimbursement. For example, in the EU, member states impose controls on whether products are reimbursable by national or regional health service providers and on the prices at which products are reimbursed under state-run healthcare schemes. Some member states operate reference pricing systems in which they set national reimbursement prices by reference to those in other member states. Countries implementing a volume-based procurement process, such as the one initiated in China in 2018, can lead to decreased prices. The US recently passed the Inflation Reduction Act, which makes significant changes to how drugs are covered and paid for under the Medicare program, including the creation of financial penalties for drugs whose prices rise faster than the rate of inflation, redesign of the Medicare Part D program to require manufacturers to bear more of the liability for certain drug benefits and the introduction of government price-setting for certain Medicare Part D drugs starting in 2026. Other governmental funding restrictions, legislative proposals and interpretations of policy may negatively impact amounts available through reimbursement, including by restricting payment increases to hospitals and other providers through reimbursement systems, or by restricting whether reimbursement is available for our products at all.

We expect that additional health care reform measures will be adopted in the future in the countries in which we operate, including those initiatives affecting coverage and reimbursement for our products, any of which could limit the amounts



that governments will pay for health care products and services, which could adversely affect the growth of the market for our products or the demand for our products, or result in additional pricing pressures. We cannot predict the effect such reforms or the prospect of their enactment may have on our business.

***If we fail to properly educate and train healthcare providers on our products, then customers may not buy our products.***

We market our surgical and certain of our vision care products including pharmaceutical products to healthcare providers, including ECPs, public and private hospitals, ambulatory surgical centers, eye clinics and ophthalmic surgeons' offices and group purchasing organizations and our other vision care products to retailers and distributors. We have developed, and strive to maintain, strong relationships with members of each of these groups who assist in product research and development and advise us on how to satisfy the full range of consumer and surgeon needs. We rely on these groups to recommend our products to their patients and to other members of their organizations.

Contact lens and lens care consumers have a tendency not to switch products regularly and are repeat consumers. As a result, the success of these products relies on an ECP's initial recommendation of our products, which may be based on our ability to educate the ECP on our products. Even if we are successful at educating ECPs on our products, ECPs may continue to lose influence in the consumer's selection of contact lenses, which would cause our business to become more dependent upon the success of educating consumers directly. If we had to increase our direct-to-consumer marketing, we could potentially face challenges in maintaining our good relationships with ECPs, who may view our direct-to-consumer marketing as a threat to their business.

In our surgical business and with our pharmaceutical products, ECPs, including ophthalmic surgeons, play a significant role in determining the course of treatment and, ultimately, the type of products that will be used to treat a patient for cataracts, vitreoretinal conditions, refractive errors, glaucoma and dry eye, among other things. As a result, it is important for us to properly and effectively market our products to ECPs. Acceptance of our products also depends on our ability to train ECPs and their clinical staff on the safe and appropriate use of our products, which takes time. This training process may take longer than expected and may therefore affect our ability to increase sales. Following completion of training, we rely on the trained ECPs to advocate the benefits of our products in the broader marketplace. Convincing ECPs to dedicate the time and energy necessary for adequate training is challenging, and we may not be successful in these efforts. If we are not successful in convincing ECPs of the merits of our products or educating them on the use of our products, they may not use our products and we will be unable to fully commercialize or profit from such products.

***Our reliance on outsourcing key business functions to third parties heightens the risks faced by our businesses.***

We outsource the performance of certain key business functions to third parties and invest a significant amount of effort and resources into doing so. Such outsourced functions can include research and development collaborations, clinical trial activities, manufacturing operations, human resources, warehousing and distribution activities, certain finance functions, submission of regulatory applications, marketing activities, data management and others. Outsourcing of services to third parties could expose us to suboptimal quality of service delivery or deliverables and potentially result in repercussions such as missed deadlines or other timeliness issues, erroneous data, supply disruptions, non-compliance (including with applicable legal or regulatory requirements and industry standards) and/or reputational harm, with potential negative effects on our results.

Ultimately, if the third parties, fail to meet their obligations to us, we may lose our investment in the collaborations and fail to receive the expected benefits of these arrangements. Contractual remedies may be inadequate to compensate us for the damage to our business or lost profits. In addition, many of the companies to which we outsource key business functions may have more limited resources compared to us, and, in particular, may not have internal compliance resources comparable to those within our organization. Should any of these third parties fail to carry out their contractual duties or regulatory obligations or fail to comply with the law, including laws relating to anti-bribery laws and export and trade controls, or should they act inappropriately in the course of their performance of services for us, there is a risk that we could be held responsible for their acts, that our reputation may suffer and that penalties may be imposed upon us. Any such failures by third parties could have a material adverse effect on our business, financial condition, results of operations or reputation.

***We may be unable to attract and retain qualified personnel.***

We are highly dependent upon skilled personnel in key parts of our organization, and we invest heavily in recruiting, training and retaining qualified individuals, including significant efforts to enhance the diversity of our workforce. The loss of the service of key members of our organization-including senior members of our scientific and management teams, high-quality researchers and development specialists and skilled personnel in developing countries-could delay or prevent the achievement of major business objectives.

In addition, our ability to hire qualified personnel also depends on the flexibility to reward superior performance and to pay competitive compensation. Laws, regulations and customary practice on executive compensation, including legislation and customary practice in our home country, Switzerland, may restrict our ability to attract, motivate and retain the



required level of qualified personnel. For example, pay benchmarks for Swiss and other European companies may be inconsistent with the current market in the US, making it more difficult to recruit talent in the US, which has a large concentration of medical device talent. Further, certain associates are required to travel frequently between Switzerland and the US. These associates may be unwilling or unable to make such a commitment. Finally, changes to immigration policies in the numerous countries in which we operate, including the US, as well as restrictions on global travel as a result of local or global public health crises requiring quarantines or other precautions to limit exposure to infectious diseases, may limit our ability to hire or retain talent in, or transfer talent to, specific locations.

Finally, our business, particularly the manufacturing of our products, requires a substantial number of personnel. Any failure to retain stable and dedicated labor by us may lead to disruption to our business operations, including the manufacturing of our products. Due to the tight labor market, we have experienced, and expect to continue to experience, increases in labor costs to remain competitive in retaining talent. If we are unable to manage and control our labor costs, our business, financial condition and results of operations may be materially and adversely affected.

***Unauthorized or illegal distribution may harm our business and reputation.***

Our products may be subject to competition from lower priced versions of our products intended to be sold in countries where there are government imposed price controls or other market dynamics that make the products lower priced. Despite government regulations aimed at limiting such imports, the volume of imports may continue to rise in certain countries. This importation may adversely affect our profitability in the US and elsewhere and could become more significant in the future.

In addition, our industry continues to be challenged by the vulnerability of distribution channels to counterfeiting. Reports of increased levels of counterfeiting could materially affect consumer confidence in the authentic product and harm our business or lead to litigation.

***Regulatory clearance and approval processes for our products are expensive, time-consuming and uncertain, and the failure to obtain and maintain required regulatory clearances and approvals could prevent us from commercializing our products.***

Our businesses are subject to varying degrees of governmental regulation in the countries in which we operate, and the general trend is toward increasingly stringent regulation. The exercise of broad regulatory powers by the FDA continues to result in increases in the amounts of testing and documentation required for the commercialization of regulated products and a corresponding increase in the expense of product introduction. Similar trends are also evident in the EU and in other markets throughout the world. Compliance with these laws and regulations is costly and materially affects our business. Among other effects, health care regulations substantially increase the time, difficulty and costs incurred in obtaining and maintaining approval to market newly developed and existing products.

Most of our products are regulated as medical devices or pharmaceuticals and face difficult development and approval processes in most jurisdictions we operate in, particularly in the US and EU; however other products may be regulated as other categories such as lasers, dietary supplements and medical foods. We discuss these regulations more thoroughly "Item 4. Information on the Company-4.B. Business Overview-Government Regulation-Product Approval and Monitoring".

The process of developing new products and obtaining necessary FDA clearance or approval, CE marking, or other regulatory marketing authorization is lengthy, expensive and uncertain. Our potential products could take a significantly longer time than we expect to gain marketing authorization or may never gain such marketing authorization. Regulatory authorities may require additional testing or clinical data to support marketing authorization, delaying authorization and market entry of our products. Even if the FDA or another regulatory agency or notified body approves a product, the approval may limit the indicated uses for a product, may otherwise limit our ability to promote, sell and distribute a product or may require post-marketing studies or impose other post-marketing obligations.

We may be unable to successfully maintain the registrations, licenses, clearances or other authorizations we have received or may receive in the future. We also routinely make minor modifications to our products, labeling, instructions for use, manufacturing process and packaging that may trigger a requirement to notify regulatory authorities or to update such registrations or authorizations. This may subsequently require us to manage multiple versions of individual products around the world, depending on the status of any re-registration approvals. Managing such multiple versions may require additional inventory in the form of "bridging stock", extensive redress operations and inventory increases that could exceed our manufacturing capacity or supply chain ability at the time. This could result in prolonged product shortages that could negatively impact our sales, both in terms of any unavailable products and the potential loss of customers that opt for another supplier.



***Even if we protect our intellectual property to the fullest extent permitted by applicable law, our competitors and other third parties could develop and commercialize products similar or identical to ours, which could impair our ability to compete.***

We rely on a combination of patents, trademarks and copyrights to protect our intellectual property. The scope, strength and duration of those intellectual property rights can vary significantly from product to product and country to country. We also rely on a variety of trade secrets, know-how and other confidential information to supplement these protections. In the aggregate, these intellectual property rights are of material importance to our business.

The protections afforded by these intellectual property rights may limit the ability of competitors to commercialize products covered by the applicable intellectual property rights, but they do not prevent competitors from marketing alternative products that compete with our products. In addition, these intellectual property rights may be challenged by third parties and regulatory agencies, and intellectual property treated as trade secrets and protected through confidentiality agreements may be independently developed by third parties and/or subject to misappropriation by others. Furthermore, in certain countries, particularly in emerging markets, due to ambiguities in the law and enforcement difficulties, intellectual property rights may not be as effective as in Western Europe or the US.

For our pharmaceutical products, we face challenges from third parties seeking to manufacture and market generic versions of our pharmaceutical products prior to the expiration of the applicable patents covering those products. In the US, manufacturers of generic versions of pharmaceutical products may challenge the validity, or claim non-infringement, of our pharmaceutical products through the Abbreviated New Drug Application, or ANDA, process with the FDA and related ANDA litigation. Loss of patent protection for one of our pharmaceutical products would generally lead to a significant and rapid loss of sales for that product as lower priced generic versions of that drug become available.

Therefore, even if we protect our intellectual property to the fullest extent permitted by applicable law, competitors and other third parties may nonetheless develop and commercialize products similar or identical to ours, which could impair our ability to compete and have an adverse effect on our business, financial condition and results of operations.

***Financial markets, including inflation and volatile exchange rates, are unpredictable, which could lead to unexpected impacts to our earnings, the return on our financial investments and the value of some of our assets.***

Financial markets may adversely affect our earnings, the return on our financial investments and the value of some of our assets. For example, inflation rates in the US and EU ran at multi-decade highs in 2022, which have caused the cost to manufacture our products to increase. Specifically, in 2022, we experienced inflationary pressure on the costs of labor, electronic components, resins and freight. Our business results depend, in part, on our continued ability to manage these inflationary pressures through pricing actions and productivity initiatives, while maintaining and improving margins and market share. Increasing prices to match the levels of inflation we are currently experiencing may cause some of our customers, particularly in the elective surgical and contact lens businesses where patients typically do not receive reimbursement from their medical insurance providers or government programs, to decrease their purchases or opt for a lower cost alternative. Failure to manage these inflationary pressures could adversely impact our results of operations or cash flows.

Changes in exchange rates between the US dollar, our reporting currency, and other currencies can also result in significant increases or decreases in our reported sales, costs and earnings as expressed in US dollars, and in the reported value of our assets, liabilities and cash flows. As we experienced in 2022, if the US dollar strengthens relative to the currencies of the foreign countries in which we operate, our consolidated financial position and results of operations may be negatively impacted as amounts in foreign currencies will generally translate into fewer US dollars. Despite any measures we may undertake in the future to reduce, or hedge against, foreign currency exchange risks, because a significant portion of our earnings and expenditures are in currencies other than the US dollar, and the fact that our expenditures in Swiss francs and US dollars are significantly higher than our revenue in Swiss francs and US dollars, respectively, any such exchange rate volatility may negatively and materially impact our business, results of operations and financial condition, and may impact the reported value of our net sales, earnings, assets and liabilities. Additionally, some of our customers are required to pay us in US dollars. When the US dollar is particularly strong, our customer's debts to us are more difficult to repay, particularly if the customer is unable to obtain US dollars. For more information on the effects of currency fluctuations on our Consolidated Financial Statements and on how we manage currency risk, see "Item 5. Operating and Financial Review and Prospects-5.A. Operating Results-Effects of Currency Fluctuations" and "Item 11. Quantitative and Qualitative Disclosures About Market Risk".

Countries facing financial difficulties, including countries experiencing high inflation rates and highly indebted countries facing large capital outflows, may impose controls on the exchange of foreign currency. Such exchange controls could limit our ability to distribute retained earnings from our local affiliates or to pay intercompany payables due from those countries.



***Our existing debt may limit our flexibility to operate our business or adversely affect our business and our liquidity position.***

We have outstanding debt of \$4.6 billion as of December 31, 2022, and we may incur additional indebtedness in the future for various reasons, including fluctuations in operating results, capital expenditures and potential acquisitions. For example, we increased our outstanding debt by \$712 million in the fourth quarter of 2022 to finance the Aerie transaction.

Our indebtedness may:

- make it difficult for us to satisfy our obligations, including making interest payments on our debt obligations;
- require us to dedicate a portion of our cash flows to payments on our debt, reducing our ability to use our cash flows to fund capital expenditures, BD&L or other strategic transactions, working capital and other general operational requirements, or to pay dividends to our shareholders;
- limit our flexibility to plan for and react to changes in our business;
- negatively impact our credit rating and increase the cost of servicing our debt;
- place us at a competitive disadvantage relative to some of our competitors that have less debt than us;
- increase our vulnerability to general adverse economic and industry conditions, including changes in interest rates or a downturn in our business or the economy; and
- make it difficult to refinance our existing debt or incur new debt on terms that we would consider to be commercially reasonable, if at all.

The occurrence of any one of these events could have a material adverse effect on our business, financial condition or result of operations or cause a significant decrease in our liquidity and impair our ability to pay amounts due on our indebtedness. Further, to lower inflation, governmental and regulatory agencies have been enacting changes to monetary policy and interest rates, which have led to, and can lead to further, increases to borrowing costs.

***We may need to obtain additional financing, which may not be available or, if it is available, may not be on favorable terms and may result in dilution of our then-existing shareholders.***

We may need to raise additional funds to:

- finance unanticipated working capital requirements or refinance our existing indebtedness;
- develop or enhance our infrastructure and our existing products and services;
- engage in mergers and acquisitions or other strategic BD&L transactions;
- fund strategic relationships; and
- respond to competitive pressures.

If we raise additional funds by issuing equity or convertible debt securities, the percentage ownership of our then-existing shareholders may be diluted, and holders of these securities may have rights, preferences or privileges senior to those of our then-existing shareholders. Further, the use of financing to invest in research and development, business acquisitions, and capital expenditures may not generate the expected returns or cash flows. Significant judgment is required to determine which investments will result in optimal returns, and we could make investment that are ultimately less profitable than those investments we do not select.

***Litigation and governmental investigations may harm our business or otherwise distract our management.***

We, from time to time, are, and may in the future be, subject to various investigations and legal proceedings that arise or may arise involving product liability, sales and marketing practices, commercial disputes, employment, wrongful discharge, antitrust, securities, health and safety, environmental, tax, international trade, privacy, intellectual property, including Hatch-Waxman litigation, and anti-bribery regulations, such as the FCPA, including compliance with ongoing reporting obligations to the government resulting from any settlements. See "Item 8. Financial Information-8.A. Consolidated Statements and Other Financial Information-Legal Proceedings".

Substantial, complex or extended litigation could cause us to incur large expenditures, affect our ability to market and distribute our products and distract our management. For example, intellectual property litigation in which we are named as a defendant from time to time could result in significant damage awards and injunctions that could prevent the manufacture and sale of the affected products or require us to make significant royalty payments to continue to sell the affected products. In 2020, Johnson & Johnson Surgical Vision, Inc. ("JJSVI") filed a patent infringement action against us alleging that the manufacture, use, sale, offer for sale and/or importation of our *LenSx* Laser System willfully infringes their US and European patents. JJSVI subsequently amended its complaint to include copyright infringement claims relating to



source code used in the *LenSx* Laser System as well as regulatory and technical documentation pertaining to the *LenSx* Laser System. Prior to the trial on the copyright claims set for February 2023, JJSVI and Alcon entered into a confidential settlement agreement to resolve all of the pending legal proceedings related to femtosecond laser assisted cataract surgery devices, including the *LenSx* Laser System. As part of that resolution, JJSVI and Alcon exchanged cross-licenses of certain intellectual property and other mutually agreed covenants and releases, and we agreed to make a one-time payment to JJSVI of \$199 million for those rights and to resolve the parties' various worldwide intellectual property disputes concerning such devices. Also in 2020, Hoya Corporation filed suit against us alleging that our *UltraSert* Pre-Loaded Delivery System infringes their US patents. Trial is set for February 2024. Alcon intends to defend this case vigorously.

Lawsuits by associates, shareholders, customers or competitors, or potential indemnification obligations and limitations of our director and officer liability insurance, could be very costly and substantially disrupt our business. Disputes with such companies or individuals from time to time are not uncommon, and we may be unable to resolve such disputes on terms favorable to us.

Even meritless claims could subject us to adverse publicity, hinder us from securing insurance coverage in the future or require us to incur significant legal costs. As a result, significant claims or legal proceedings to which we are a party could have a material adverse effect on our business, prospects, financial condition and results of operations.

***Failure to comply with law, legal proceedings and government investigations may have a significant negative effect on our results of operations.***

We are obligated to comply with the laws of all of the countries around the world in which we operate and sell products. These laws cover an extremely wide and growing range of activities. Such legal requirements can vary from country to country and new requirements may be imposed on us from time to time as government and public expectations regarding acceptable corporate behavior change, and enforcement authorities modify interpretations of legal and regulatory provisions and change enforcement priorities. In addition, our associates, independent contractors, consultants, commercial partners and vendors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, in violation of such laws and public expectations.

For example, we are faced with increasing pressures, including new laws and regulations from around the world, to be more transparent with respect to how we do business, including with respect to our interactions with healthcare professionals and organizations. These laws and regulations include requirements that we disclose payments or other transfers of value made to healthcare professionals and organizations, including by our associates or third parties acting on our behalf, as well as with regard to the prices for our products. We are also subject to certain privacy laws, including Swiss privacy laws, the EU's General Data Protection Regulation and the California Consumer Privacy Act, which include significant penalties for non-compliance.

In addition, we have significant activities in a number of developing countries around the world, both through our own associates and through third parties retained to assist us. In some of these countries, a culture of compliance with law may not be as fully developed as in other countries.

To help us in our efforts to comply with the many requirements that impact us, we have a significant global ethics and compliance program in place, and we devote substantial time and resources to efforts to conduct our business in a lawful and publicly acceptable manner. Nonetheless, our ethics and compliance program may be insufficient or associates may fail to comply with the training they received, and any actual or alleged failure to comply with law or with heightened public expectations could lead to substantial liabilities that may not be covered by insurance, or to other significant losses, and could affect our business, financial position and reputation.

In particular, in recent years, there has been a trend of increasing government investigations, legal proceedings and law enforcement activities against companies and executives operating in our industry. Increasingly, such activities can involve criminal proceedings and can retroactively challenge practices previously considered to be acceptable. For instance, in 2017 and 2018, Alcon and Novartis, as well as certain present and former executives and associates of Alcon and Novartis, received document requests and subpoenas from the 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. Under our final settlement with the DoJ, we are subject to a three-year deferred prosecution agreement. Our failure to comply with the terms of the deferred prosecution agreement with the DoJ could result in resumed prosecution and other regulatory sanctions and could otherwise negatively affect our operations.

For additional information, see "Item 8. Financial Information-8.A. Consolidated Statements and Other Financial Information-Legal Proceedings" and "If we breach the Deferred Prosecution Agreement with the US Department of Justice,



then resulting actions by the DoJ could have a material adverse effect on our business, financial condition, results of operations or cash flows."

Such proceedings are inherently unpredictable, and large judgments or penalties sometimes occur. As a consequence, we may in the future incur judgments or penalties that could involve large cash payments, including the potential repayment of amounts allegedly obtained improperly and other penalties, including enhanced damages. In addition, such proceedings may affect our reputation, create a risk of potential exclusion from government reimbursement programs and may lead to civil litigation. As a result, having taken into account all relevant factors, we may in the future enter into major settlements of such claims without bringing them to final legal adjudication by courts or other such bodies, despite having potentially significant defenses against them, in order to limit the risks they pose to our business and reputation. Such settlements may require us to pay significant sums of money and to enter into corporate integrity or similar agreements intended to regulate company behavior for a period of years, which can be costly to operate under.

Any such judgments or settlements, and any accruals that we may take with respect to potential judgments or settlements, could have a material adverse impact on our business, financial condition or results of operations, as well as on our reputation.

***We may implement product recalls or voluntary market withdrawals of our products.***

The manufacturing and marketing of our products, including surgical equipment and instruments and pharmaceuticals, involve an inherent risk that our products may prove to be defective and cause a health risk. We are also subject to laws and regulations requiring us to report adverse events associated with our products. Such adverse events and potential health risks identified in our monitoring efforts or from ongoing clinical studies may lead to voluntary or mandatory market actions, including recalls, product withdrawals or changes to the instructions for using our products.

Governmental authorities throughout the world, including the FDA, have the authority to require the recall of certain of our commercialized products in the event of material deficiencies or defects in, for example, design, labeling or manufacture.

We may also voluntarily initiate certain field actions, such as a correction or removal of our products in the future as a result of component failures, manufacturing errors, design or labeling defects or other deficiencies and issues. If a correction or removal of one of our products is initiated to reduce a health risk posed by the product, or to remedy a violation of the Federal Food, Drug, and Cosmetic Act ("FDCA") caused by the product that may present a risk to health, the correction or removal must be reported to the FDA. Similarly, field actions conducted for safety reasons in the European Economic Area must be reported to the regulatory authority in each country where the field action occurs.

A recall of one of our products or a similar competing product manufactured by another manufacturer could impair sales and subsequent regulatory approvals of other similar products we market and lead to a general loss of customer confidence in our products. A product recall could also lead to a health authority inspection or other regulatory action or to us being named as a defendant in lawsuits.

***We may be underestimating our future pension and other post-employment benefit plan obligations.***

We sponsor pension and other post-employment benefit plans in various forms. While most of our plans are now defined contribution plans, certain of our associates remain under defined benefit plans. For these defined benefit plans, we are required to make significant assumptions and estimates about future events in calculating the present value of expected future plan expenses and liabilities. These include assumptions used to determine the discount rates we apply to estimated future liabilities and rates of future compensation increases. Assumptions and estimates we use may differ materially from the actual results we experience in the future due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants, among other variables. For example, at December 31, 2022, a decrease in the interest rate we apply in determining the present value of expected future total defined benefit plan obligations (consisting of pension and other post-employment benefit obligations) of one-quarter of one percent would have increased our year-end defined benefit obligation by \$23 million. Any differences between our assumptions and estimates and our actual experience could require us to make additional contributions to our pension funds. Further, additional employer contributions might be required if plan funding falls below the levels required by local rules.

***We are a multinational business that operates in numerous tax jurisdictions.***

We conduct operations in multiple tax jurisdictions, and the tax laws of those jurisdictions generally require that the transfer prices between affiliated companies in different jurisdictions be the same as those between unrelated companies dealing at arm's length and that such prices are supported by contemporaneous documentation. While we believe that we operate in compliance with applicable transfer pricing laws and intend to continue to do so, our transfer pricing procedures are not binding on applicable tax authorities. If tax authorities in any of these jurisdictions were to successfully challenge our transfer prices as not reflecting arm's length transactions, they could require us to adjust our transfer prices



and thereby reallocate our income to reflect these revised transfer prices, which could result in a higher overall tax liability to us and possibly interest and penalties.

Additionally, the integrated nature of our worldwide operations can produce conflicting claims from tax authorities in different countries as to the profits to be taxed in the individual countries. The majority of the jurisdictions in which we operate have double tax treaties with other foreign jurisdictions, which provide a framework for mitigating the impact of double taxation on our revenues and capital gains. However, mechanisms developed to resolve such conflicting claims are largely untested, can be expected to be very lengthy and do not always contain a mandatory dispute resolution clause.

In recent years, tax authorities around the world have increased their scrutiny of company tax filings and have become more rigid in exercising any discretion they may have. As part of this, the Organization for Economic Co-operation and Development ("OECD") has proposed certain changes to the International tax standards that have resulted and will continue to result in local tax law changes under its Base Erosion and Profit Shifting ("BEPS") Action Plans to address issues of transparency, coherence and substance. Most recently, the OECD released its plans for proposing further amendments to the international tax standards, including a new attribution of the right to tax corporate profits where customers are located and a mechanism ensuring that all corporate profits would be subject to a 15% minimum taxation level in each country in which they operate. These rules, if enacted, are likely to lead to an increase of our tax expense and effective tax rate. Moreover, recommendations by the OECD could require companies to disclose more information to tax authorities on operations around the world, which could lead to greater audit scrutiny. On August 16, 2022, the Inflation Reduction Act was enacted in the US, which introduced, among other items, a new minimum corporate income tax on certain large corporations and increased funding for the Internal Revenue Service. Finally, Switzerland and the various Swiss cantons in which Alcon is present have adopted their own corporate tax reform. The main elements of the Swiss tax reform became effective in 2020 and have resulted in an increase in Alcon's tax burden and effective tax rate in Switzerland.

In general, tax reform efforts, including with respect to tax base or rate, transfer pricing, intercompany dividends, cross border transactions, controlled corporations and limitations on tax relief allowed on the interest on intercompany debt, will require us to continually assess our organizational structure and could lead to an increased risk of international tax disputes, an increase in our effective tax rate and an adverse effect on our financial condition.

***Goodwill and other intangible assets on our books may lead to significant noncash impairment charges.***

We carry a significant amount of goodwill and other intangible assets on our Consolidated Balance Sheet, primarily due to the value of the Alcon brand name, but also intangible assets associated with our technologies, acquired research and development, currently marketed products and marketing know-how. As a result, we may incur significant noncash impairment charges if the fair value of the intangible assets and the groupings of cash generating units containing goodwill would be less than their carrying value on our Consolidated Balance Sheet at any point in time. For example, in 2022, we recognized \$62 million in impairment charges.

For a detailed discussion of how we determine whether an impairment has occurred, what factors could result in an impairment and the impact of impairment charges on our results of operations, see "Note 2. Selected Accounting Policies- Goodwill and intangible assets" to our Consolidated Financial Statements included elsewhere in this Annual Report.

***The manufacture of our products is highly regulated and complex.***

The manufacture of our product portfolio is complex and heavily regulated by governmental health authorities around the world, including the FDA. Whether our products are manufactured at our own dedicated manufacturing facilities or by third parties, we must ensure that all manufacturing processes comply with current Good Manufacturing Practices, quality system requirements and other applicable regulations, as well as with our own high quality standards. In recent years, health authorities have substantially intensified their scrutiny of manufacturers' compliance with such requirements.

Any significant failure by us or our third-party suppliers to comply with these requirements or the health authorities' expectations may cause us to shut down our production facilities or production lines or we could be prevented from importing our products from one country to another. Moreover, if we fail to properly plan for manufacturing capacity, the complexity of our manufacturing process could lead to a long lead time to increase capacity. Any of these events could lead to product shortages, or to our being entirely unable to supply products to customers and consumers for an extended period of time. Such shortages or shutdowns have led to, and could continue to lead to, significant losses of sales revenue and to potential third-party litigation. In addition, health authorities have in some cases imposed significant penalties for such failures to comply with regulatory requirements. A failure to comply fully with regulatory requirements could also lead to a delay in the approval of new products to be manufactured at the impacted site.

***We may be subject to penalties if we fail to comply with post-approval legal and regulatory requirements and our products could be subject to restrictions or withdrawal from the market.***

The research, development, testing, manufacturing, sale and marketing of our products are subject to extensive governmental regulation. Government regulation includes inspection of and controls over testing, manufacturing, safety



and environmental controls, efficacy, labeling, advertising, marketing, promotion, record keeping, tracking, reporting, distributing, import, export, samples, electronic records and electronic signatures.

Among other requirements, we are required to comply with applicable adverse event and malfunction reporting requirements for our products. For example, for our medical device products, in the US, we are required to report to the FDA any incident in which one of our marketed devices may have caused or contributed to a death or serious injury or has malfunctioned and the malfunction of the device or a similar device that we market would be likely to cause or contribute to death or serious injury if the malfunction were to recur. In addition, all manufacturers placing medical devices on the market in the European Economic Area are legally required to report any serious or potentially serious incidents involving devices produced or sold by the manufacturer to the relevant authority in those jurisdictions where any such incident occurred.

Our advertising and promotional activities are also subject to stringent regulatory rules and oversight. The marketing approvals from the FDA and other regulators of certain of our products are, or are expected to be, limited to specific uses. We are prohibited from marketing or promoting any uncleared or unapproved use of our product, referred to as "off-label" use. In addition to promoting our products in a manner consistent with our clearances and approvals, we must have adequate substantiation for the claims we make for our products. If any of our claims are determined to be false, misleading or deceptive, we could be subject to enforcement action. As Alcon and our associates increasingly use social media to communicate, and given the speed of dissemination of information online, there is a heightened risk that Alcon or one of our associates sends a message that may be deemed inappropriate or prohibited by a regulatory authority. In addition, unsubstantiated claims also present a risk of consumer class action or consumer protection litigation and competitor challenges. In the past, we have had to change or discontinue promotional materials because of regulatory agency requests, and we are exposed to that possibility in the future.

Failure to comply with statutes and regulations administered by the FDA and other regulatory bodies or failure to adequately respond to any notices of violation or any similar reports could result in, among other things, any of the following enforcement actions:

- warning letters or untitled letters issued by the FDA;
- fines, civil penalties, in rem forfeiture proceedings, injunctions, consent decrees and criminal prosecution;
- detention of imported products;
- delays in approving, or refusal to approve, our products;
- withdrawal or suspension of approval of our products or those of our third-party suppliers by the FDA or other regulatory bodies;
- product recall or seizure;
- operating restrictions or interruption of production; and
- inability to export to certain countries.

If any of these items were to occur, it could result in unanticipated expenditures to address or defend such actions, could harm our reputation and could adversely affect our business, financial condition and results of operations.

***We are subject to laws targeting fraud and abuse in the healthcare industry.***

We are subject to various global laws pertaining to healthcare fraud and abuse, including state and federal anti-kickback laws and physician self-referral laws. For example, the US federal healthcare program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce, or in return for, purchasing, leasing, ordering, arranging for or recommending the purchase, lease or order of any healthcare item or service reimbursable under Medicare, Medicaid or other federally financed healthcare programs, and in some cases, private insurance. These US laws have been interpreted to apply to arrangements between manufacturers, on the one hand, and prescribers, purchasers, formulary managers and other healthcare-related professionals, on the other hand. US law provides that a claim for federal healthcare program reimbursement for items or services resulting from a violation of the federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the false claims statutes. Pricing and rebate programs for covered outpatient drugs reimbursed under federal healthcare programs must comply with the Medicaid drug rebate requirements of the Omnibus Budget Reconciliation Act of 1990, as amended, the Veterans Health Care Act of 1992, as amended, and the Deficit Reduction Act of 2005, as amended. The statutes and regulations governing the various price reporting requirements are complex and have changed over time, and the US government has not given clear guidance on many issues. In addition, recent statutory and regulatory developments have not yet been applied by the government or courts to specific factual situations. We believe that we are in compliance with all applicable government price reporting requirements, but there is the potential that the Centers for Medicare & Medicaid Services ("CMS"), other regulatory and law enforcement agencies or a court could arrive at different interpretations, with adverse



financial or other consequences for us. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. All of these activities are also potentially subject to federal and state consumer protection and unfair competition laws. Some European Union bodies and most European Union member states and Japan impose controls and restrictions that are similar in nature or effect to those described above.

In recent years, the US government and several US states have enacted legislation requiring medical device companies to establish marketing compliance programs and file other periodic reports. Similar legislation is being considered in other US states. Many of these requirements are new and uncertain, and available guidance is limited. We could face enforcement action, fines and other penalties and could receive adverse publicity, all of which could harm our business, if it is alleged that we have failed to fully comply with such laws and regulations. Similarly, if the physicians or other providers or entities that we do business with are found to have not complied with applicable laws, they may be subject to sanctions, which could also have a negative impact on our business.

Depending on the circumstances, failure to meet these applicable legal and regulatory requirements can result in civil litigation, criminal prosecution, fines or other penalties, injunctions, recall or seizure of products, total or partial suspension of production, denial or withdrawal of pre-marketing product approvals, private "qui tam" actions brought by individual whistleblowers in the name of the government, or refusal to allow us to enter into supply contracts, including government contracts, any of which could have a material adverse effect on our business, financial condition or results of operations.

***Legislative and regulatory reforms may impact our ability to develop and commercialize our products.***

The global regulatory environment is increasingly stringent and unpredictable. Unexpected changes can have an adverse impact on our business, financial condition and results of operations.

First, it has been, and will continue to be, costly and onerous to comply with changes and new requirements relating to the regulatory approval process or postmarket requirements applicable to our products in various jurisdictions. As discussed in "Item 4. Information on the Company-4.B. Business Overview-Government Regulation-Product Approval and Monitoring" the EU has made recent changes to its regulatory regime (the "EU MDR"), which imposes stricter requirements for the marketing and sale of medical devices. As of May 2021, all new medical devices marketed in the EU require certification according to these new requirements. Devices certified pursuant to the Medical Device Directives before May 2020 with valid CE certificates have been given a timeline to meet the new requirements and can be placed on the market until May 2024. In addition, several countries that did not have regulatory requirements for medical devices have established such requirements in recent years, and other countries have expanded, or plan to expand, their existing regulations. While certain countries may harmonize their regulations in the future, requirements continue to differ significantly among countries. Further, the FDA is also pursuing various efforts to modernize its regulation of devices, including potential changes to the 510(k) pathway and establishing an alternative pathway that permits reliance on objective performance criteria. We expect this global regulatory environment to continue to evolve, which could impact the cost of, the time needed to approve and, ultimately, our ability to maintain existing approvals or obtain future approvals for, our products. Due to the number of medical devices we market, it is possible not all products will be certified by the current EU MDR deadline, and some products may be rationalized if considered too costly to certify.

Second, new legislation and new regulations and interpretations of existing health care statutes and regulations are frequently adopted, any of which could affect our future business and results of operations. For example, in the US, there have been a number of health care reform legislative and regulatory measures proposed and adopted at the federal and state government levels that affect the health care system generally and that have had significant impact on our business.

Third, if certain countries, including the US, change their regulations to no longer require a prescription for the purchase of contact lenses then there would be a significant impact on the way we market and distribute contact lenses because it would limit the role of the ECP as an intermediary. Such changes could require us to incur significant costs to update our marketing and distribution methodologies and could adversely affect the sales of our vision care products.

Finally, within our surgical business, a considerable portion of our sales and sales growth rely on patient-pay premium technologies, in markets where access to these technologies has been established. For example, in the US, two landmark rulings issued by the CMS established a bifurcated payment system for certain of our AT-IOLs pursuant to which part of the cost of the cataract surgery with such AT-IOLs would be reimbursed under Medicare, with the remaining cost paid out-of-pocket. For more details, see "Item 4. Information on the Company-4.B. Business Overview-Our Products-Surgical". To the extent regulatory bodies in the US, such as CMS, or other health authorities outside the US, decide to amend the regulations governing patient-pay reimbursement for advanced technologies, our sales and sales growth could be negatively impacted.



***We are subject to environmental, health and safety laws and regulations.***

We are subject to numerous national and local environmental, health and safety laws and regulations, including relating to the discharge of regulated materials into the environment, human health and safety, laboratory procedures and the generation, handling, use, storage, treatment, release and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable materials, including chemicals and biological materials. Our operations also produce hazardous waste products. We generally contract with third parties for the disposal of these hazardous materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our generation, handling, use, storage, treatment, release or disposal of hazardous materials or wastes, we could be held liable for any resulting damages, and any liability could materially adversely affect our business, operating results or financial condition. Our insurance may not provide adequate coverage against potential liabilities. If we fail to comply with applicable environmental, health and safety laws and regulations, we may face significant administrative, civil or criminal fines, penalties or other sanctions. In addition, we may incur substantial costs to comply with current or future environmental, health and safety laws and regulations, which have tended to become more stringent over time, including any potential laws and regulations that may be implemented in the future to address global climate change concerns. Compliance with current or future environmental, health and safety laws and regulations may increase our costs or impair our research, development or production efforts.

## **Risks related to the Ownership of our Shares**

***Your percentage ownership in Alcon may be diluted in the future.***

In the future, your percentage ownership in Alcon may be diluted because of equity issuances from acquisitions, capital markets transactions or otherwise, including equity awards that we may grant to our directors, officers and associates under our associate participation plans. These additional issuances will have a dilutive effect on our earnings per share, which could adversely affect the market price of our shares.

***Our maintenance of two exchange listings could result in pricing differentials of our ordinary shares between the two exchanges.***

Our shares trade on the NYSE in US dollars and on the SIX in Swiss francs, which may result in price differentials between the two exchanges for a variety of factors, including fluctuations in the US dollar/Swiss franc exchange rate and differences in trading schedules.

***We may not pay or declare dividends.***

Although Alcon expects that it will continue to recommend the payment of a regular cash dividend based upon the prior year's core net income, we may not pay or declare dividends in the future. The declaration, timing and amount of any dividends to be paid by Alcon will be subject to the approval of shareholders at the relevant General Meeting of shareholders. The determination by the Board as to whether to recommend a dividend and the approval of any such proposed dividend by the shareholders will depend upon many factors, including our financial condition, earnings, corporate strategy, capital requirements of our operating subsidiaries, covenants, legal requirements and other factors deemed relevant by the Board and shareholders.

In addition, any dividends that we may declare will be denominated in Swiss francs. Consequently, exchange rate fluctuations will affect the US dollar equivalent of dividends received by holders of shares held via Depository Trust Company ("DTC") or shares directly registered with Computershare Trust Company, N.A. in the US. If the value of the Swiss franc decreases against the US dollar, the value of the US dollar equivalent of any dividend will decrease accordingly.

See "Item 8. Financial Information-8.A. Consolidated Statements and Other Financial Information-Dividend Policy" for more information.

***As a foreign private issuer, we are subject to different US securities laws and rules than a domestic issuer, which may limit the information publicly available to US shareholders.***

We report under the Securities Exchange Act of 1934, as amended ("Exchange Act"), as a non-US company with foreign private issuer status. Because we qualify as a foreign private issuer under the Exchange Act and although we are subject to Swiss laws and regulations with regard to such matters and intend to continue to furnish quarterly financial information to the SEC, we are exempt from certain provisions of the Exchange Act that are applicable to US domestic public companies, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act, (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. Foreign private issuers are also exempt from Regulation Fair Disclosure, aimed at preventing issuers



from making selective disclosures of material information. In addition, as a foreign private issuer, we are entitled to rely on exceptions from certain corporate governance requirements of the NYSE. As a result of the above, you may not have the same protections afforded to shareholders of companies that are not foreign private issuers.

Furthermore, we prepare our financial statements under IFRS. There are, and may continue to be, certain significant differences between IFRS and US Generally Accepted Accounting Principles, or US GAAP, including but not limited to potentially significant differences related to the accounting and disclosure requirements relating to defined benefit pension plans and other post-employment benefits, nonfinancial assets, taxation, and recognition and impairment of long-lived assets. As a result, our financial information and reported earnings for historical or future periods could be significantly different if they were prepared in accordance with US GAAP, and you may not be able to meaningfully compare our financial statements under IFRS with those companies that prepare financial statements under US GAAP.

***We may lose our foreign private issuer status.***

We are a foreign private issuer and therefore we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to US domestic issuers. To maintain our status as a foreign private issuer, either (a) a majority of our shares must be directly or indirectly owned of record by non-residents of the US or (b)(i) a majority of our executive officers or directors may not be United States citizens or residents, (ii) more than 50 percent of our assets cannot be located in the US and (iii) our business must be administered principally outside the US.

If we were to lose our foreign private issuer status, we would be required to comply with the Exchange Act reporting and other requirements applicable to US domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. For instance, we would be required to change our basis of accounting from IFRS to US GAAP, which we expect would be difficult and costly and could also result in potentially material changes to historical financial statements previously prepared on the basis of IFRS. We may also be required to make changes in our corporate governance practices in accordance with various SEC and NYSE rules. The regulatory and compliance costs to us under US securities laws could be significantly higher than the costs we will incur as a foreign private issuer. As a result, a loss of foreign private issuer status would increase our legal and financial compliance costs and would make some activities highly time-consuming and costly. If we were required to comply with the rules and regulations applicable to US domestic issuers, it would make it more difficult and expensive for us to obtain director and officer liability insurance, and we could be required to accept reduced coverage or incur substantially higher costs to obtain coverage.

***Our status as a Swiss corporation means that our shareholders enjoy certain rights that may limit our flexibility to raise capital, issue dividends and otherwise manage ongoing capital needs.***

Swiss law reserves for approval by shareholders certain corporate actions over which a board of directors would have authority in some other jurisdictions. For example, shareholders must approve the payment of dividends and cancellation of treasury shares. Swiss law also requires that our shareholders themselves resolve to, or authorize our Board to, increase, or decrease, our share capital. As part of the Swiss corporate law reform that entered into force on January 1, 2023, our shareholders may authorize our Board to increase or decrease our issued share capital without additional shareholder approval. However, Swiss law limits this authorization to increase or decrease the share capital to 50% of the issued share capital at the time of the authorization. The authorization, furthermore, has a limited duration of up to five years and must be renewed by the shareholders from time to time thereafter in order to be available for raising capital. Additionally, Swiss law grants pre-emptive rights to existing shareholders to subscribe for new issuances of shares and advance-subscription rights to subscribe for convertible bonds or similar instruments with conversion or option rights. A resolution adopted at a shareholders' meeting by a qualified majority of two-thirds of the votes represented, and the absolute majority of the nominal value of the shares represented, may restrict or exclude, or allow the Board to restrict or exclude, such pre-emptive or advance-subscription rights in certain limited circumstances. In addition to provide more flexibility in the structuring of the share capital, the Swiss corporate law reform also permits notably the payment of interim dividends and the denomination of the share capital in foreign currency, both subject to shareholders' approval. The changes provided for by the Swiss corporate law reform will require an amendment to Alcon's articles of incorporation. Despite these changes, Swiss law still does not provide as much flexibility in the various rights and regulations that can attach to different categories of shares as do the laws of some other jurisdictions. These Swiss law requirements relating to our capital management may limit our flexibility, and situations may arise where greater flexibility would have provided benefits to our shareholders.

***It may be difficult to enforce US judgments against us.***

We are organized under the laws of Switzerland. As a result, it may not be possible for investors to effect service of process within the US upon us or to enforce judgments against us obtained in US courts, including judgments in actions predicated upon the civil liability provisions of the federal securities laws of the US. We have been advised by our Swiss counsel that there is doubt as to the enforceability in Switzerland of original actions, or in actions for enforcement of judgments of US courts, of civil liabilities to the extent predicated upon the federal and state securities laws of the US. Original actions against persons in Switzerland based solely upon the US federal or state securities laws are governed,



among other things, by the principles set forth in the Swiss Federal Act on Private International Law. This statute provides that the application of provisions of non-Swiss law by the courts in Switzerland shall be precluded if the result is incompatible with Swiss public policy. Also, mandatory provisions of Swiss law may be applicable regardless of any other law that would otherwise apply.

Switzerland and the US do not have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. The recognition and enforcement of a judgment of the courts of the US in Switzerland are governed by the principles set forth in the Swiss Federal Act on Private International Law. This statute provides in principle that a judgment rendered by a non-Swiss court may be enforced in Switzerland only if:

- the non-Swiss court had jurisdiction pursuant to the Swiss Federal Act on Private International Law;
- the judgment of such non-Swiss court has become final and non-appealable;
- the judgment does not contravene Swiss public policy;
- the court procedures and the service of documents leading to the judgment were in accordance with the due process of law; and
- no proceeding involving the same position and the same subject matter was first brought in Switzerland, or adjudicated in Switzerland, or was earlier adjudicated in a third state and this decision is recognizable in Switzerland.



# ITEM 4. INFORMATION ON THE COMPANY

## 4.A. HISTORY AND DEVELOPMENT OF THE COMPANY

### General Corporate Information

Alcon is a stock corporation (*Aktiengesellschaft*) organized under the laws of Switzerland in accordance with article 620 et seq. of the Swiss Code of Obligations and registered with the register of commerce of the Canton of Fribourg, Switzerland ("Commercial Register") under registration number CHE-234.781.164. Alcon is registered in Commercial Register under each of Alcon AG, Alcon SA and Alcon Inc., all of which are stated in Alcon's Articles of Incorporation (our "Articles of Incorporation") as our corporate name. Alcon was formed for an unlimited duration, effective as of September 21, 2018, the date of the registration of Alcon in the Commercial Register. On April 9, 2019, Alcon's shares were listed on the SIX and the NYSE under the ticker symbol "ALC."

Alcon is domiciled in Fribourg, Switzerland and our registered office is located at Rue Louis-d'Affry 6, 1701 Fribourg, Switzerland. Our headquarters is located in Geneva, Switzerland at the following address: Chemin de Blandonnet 8, 1214 Vernier, Geneva, Switzerland. Our telephone number is +41 58 911 2110. Our principal website is [www.alcon.com](http://www.alcon.com). The information contained on our website is not a part of this Form 20-F.

### General Development of Business

Alcon was originally founded in 1945 by pharmacists Robert Alexander and William Conner, who opened a small pharmacy under the "Alcon" name in Fort Worth, Texas. In 1947, Alcon Laboratories, Inc. was first incorporated and began manufacturing specialty pharmaceutical products to address ocular health needs. In the succeeding years, Alcon began operating internationally with the opening of an office in Canada and first formed its surgical division.

In 1977, Alcon was acquired by a Swiss subsidiary of Nestlé S.A. and, consequently, Alcon began operating as a wholly owned subsidiary of Nestlé until 2002. In 2001, the name of the entity was officially changed to Alcon, Inc. and, on March 20, 2002, Nestlé completed an initial public offering of approximately 25% of the outstanding common shares of Alcon, Inc. upon which Alcon was publicly listed and traded on the NYSE under the symbol "ACL". In a series of transactions, Nestlé then sold all of its remaining interest in Alcon to Novartis from 2008 to 2010, and Novartis then acquired the remaining publicly held shares of Alcon through a merger of Alcon, Inc. into Novartis on April 8, 2011, creating the Alcon Division within Novartis.

In connection with the Novartis acquisition of Alcon, Novartis merged its then-existing contact lens and contact lens care unit, CIBA Vision, and certain of its ophthalmic pharmaceutical products into Alcon and moved the generic ophthalmic pharmaceutical business conducted by Alcon prior to the merger into the Sandoz Division of Novartis.

On April 9, 2019, Novartis completed the legal and structural separation of Alcon into a stand-alone company through a Spin-off transaction, upon which Alcon became a stand-alone, independent company.

Since the Spin-off, Alcon has focused on launching innovative new products, investing in manufacturing line expansion, and pursuing adjacencies such as devices for minimally invasive glaucoma surgery (or MIGS) and pharmaceuticals.

### Significant Acquisitions, Dispositions and other Events

#### Significant Investments

In 2012, we began a multi-year software implementation project to standardize our processes, enhance data transparency and globally integrate our fragmented and aging information technology systems across our commercial, supply and manufacturing operations worldwide, through a new foundation of Systems, Applications and Products in Data Processing ("SAP"), which is an ERP software platform. We expect to pay a total of approximately \$806 million relating to the implementation of the new ERP system, the payment of which was substantially complete by December 31, 2022.

In addition, we have made significant investments in certain of our manufacturing facilities to enhance our production capabilities. For more information, see "Item 4.D. Property, Plants and Equipment—Major Facilities".



## Acquisitions

In the past three years, we have also entered into certain acquisition transactions, including (i) the acquisition of 100% of the outstanding shares and equity of Aerie Pharmaceuticals, Inc. ("Aerie") on November 21, 2022, (ii) the acquisition of 100% of the outstanding shares and equity of Ivantis, Inc. on January 7, 2022, and (iii) the acquisition of exclusive US commercialization rights to *Simbrinza* (brinzolamide/brimonidine tartrate ophthalmic suspension) 1%/0.2% from Novartis on June 8, 2021. For further details on certain of our significant transactions in 2022, 2021 and 2020, see "Note 21 to the Consolidated Financial Statements."

## Debt Issuances

In connection with the Spin-off, we borrowed an aggregate of approximately \$3.2 billion under various unsecured loan facilities (the "Facilities"), including a 364-day bridge loan, a three-year term loan and two five-year term loans. In addition, we entered into a \$1.0 billion unsecured five-year committed multicurrency revolving credit facility (the "Revolving Facility"), the term of which has been extended through March 2026. We then paid to Novartis approximately \$3.1 billion to satisfy certain intercompany indebtedness owed by Alcon and its subsidiaries to Novartis and its affiliates. Other than the Revolving Facility, none of the facilities are available to us for borrowings.

### 2019 US Bond Issuance

On September 23, 2019, Alcon Finance Company, an indirect wholly owned subsidiary of the Company ("AFC"), issued senior notes ("Initial Notes") in the principal amounts of \$500 million, \$1.0 billion and \$500 million with maturity dates in 2026, 2029 and 2049, respectively, which are guaranteed by the Company. The Initial Notes are unsecured senior obligations of AFC issued in a private placement. The total principal amount of the Initial Notes is \$2.0 billion, and the proceeds were used to repay part of the Facilities. The Initial Notes consist of the following:

- Series 2026 Notes - \$0.5 billion due in 2026 issued at 99.5%, 2.750% interest is payable twice per year in March and September, beginning in March 2020.
- Series 2029 Notes - \$1.0 billion due in 2029 issued at 99.6%, 3.000% interest is payable twice per year in March and September, beginning March 2020.
- Series 2049 Notes - \$0.5 billion due in 2049 issued at 99.8%, 3.800% interest is payable twice per year in March and September, beginning March 2020.

For more information on the Initial Notes, see Note 16 to our Consolidated Financial Statements.

### 2020 US Bond Issuance

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 Initial Notes. The total principal amount of the Series 2030 Notes is \$750 million. The Series 2030 Notes were issued at 99.8% with 2.600% interest payable twice per year in May and November, beginning in November 2020. For more information on the Series 2030 Notes, see Note 16 to our Consolidated Financial Statements.

### 2022 Euro Bond Issuance

On May 31, 2022, Alcon Finance B.V., an indirect, wholly owned subsidiary of the Company ("AFBV"), issued Euro denominated senior notes due in 2028 (the "Series 2028 Notes"), which are guaranteed by the Company. The Series 2028 Notes are unsecured senior obligations of AFBV issued and closed in a public offering and rank equally in right of payment with the Initial Notes and the Series 2030 Notes. The total principal amount of the Series 2028 Notes is 500 million euros, and the proceeds were used to repay part of the Facilities. The Series 2028 Notes were issued at 99.476% with 2.375% interest payable annually in May, beginning in May 2023. For more information on the Series 2028 Notes, see Note 16 to our Consolidated Financial Statements.

### 2022 Bridge Loan Facility

On September 14, 2022, the Company and AFC entered into a facility agreement with J.P. Morgan Securities PLC as arranger, J.P. Morgan Chase Bank, N.A., London Branch as original lender, bookrunner and underwriter, and J.P. Morgan SE as agent (the "2022 Bridge Loan Facility Agreement"). The 2022 Bridge Loan Facility Agreement provides for a \$900 million unsecured term loan facility (the "2022 Bridge Loan Facility") for the purposes of financing or refinancing (i) the



consideration payable for the Aerie acquisition, (ii) any existing indebtedness of Aerie and its subsidiaries and (iii) related fees and expenses in connection with the foregoing. The Company guarantees the borrowings of AFC, that is the borrower under the 2022 Bridge Loan Facility. On November 21, 2022, in connection with the consummation of the Aerie acquisition, \$775 million of the financing commitments of the lenders under the 2022 Bridge Loan Facility were drawn, the proceeds of which were used for the Aerie acquisition. The 2022 Bridge Loan Facility was repaid in full with the proceeds of the 2022 Notes described below and is no longer available to us for borrowings. For more information on the 2022 Bridge Loan Facility, see Note 16 to our Consolidated Financial Statements.

## 2022 US Bond Issuance

On December 6, 2022, AFC issued senior notes ("2022 Notes") in the principal amounts of \$700 million and \$600 million with maturity dates in 2032 and 2052, respectively, which are guaranteed by the Company. The 2022 Notes are unsecured senior obligations of AFC issued in a private placement and rank equally in right of payment with the Initial Notes and Series 2030 Notes. The total principal amount of the 2022 Notes is \$1.3 billion, and the proceeds were used to repay the 2022 Bridge Loan Facility and the remaining principal of the Facilities. The 2022 Notes consist of the following:

- Series 2032 Notes - \$0.7 billion due in 2032 issued at 99.5%, 5.375% interest is payable twice per year in June and December, beginning in June 2023.
- Series 2052 Notes - \$0.6 billion due in 2052 issued at 99.7%, 5.750% interest is payable twice per year in June and December, beginning June 2023.

For more information on the 2022 Notes, see Note 16 to our Consolidated Financial Statements.

## Transformation Program

On November 19, 2019, we announced a multi-year transformation program to better align our organizational structure with the scope of Alcon's business operations globally. We created four shared business centers designed to create efficiencies for reinvestment into key growth drivers. The transformation program was originally projected to deliver annual run-rate savings of approximately \$200 to \$225 million, to be reinvested into key growth drivers, with an original projected cost of the program of \$300 million by 2023. On November 15, 2022, we announced additional transformation initiatives to deliver incremental efficiencies. As a result, we now expect incremental run-rate savings of approximately \$100 million, with incremental program costs of approximately \$125 million. We continue to expect to complete the program by year-end 2023. Through December 31, 2022, the total expense recognized with respect to the transformation program was \$288 million.

## War on Ukraine

In February 2022, as a result of the war on Ukraine by Russia, economic sanctions and export controls were imposed by much of the world on Russian financial institutions and businesses. These sanctions could adversely impact net sales, create disruptions in the global supply chain, increase the risk of cyber attacks, and potentially have an adverse impact on the global economy, financial markets, energy markets, currency rates and otherwise. As a result of the global impacts, we have experienced volatility in currency translation effects. Our manufacturing and procurement exposure in Russia and Ukraine is limited as our operations consist mainly of associates in local functions, including sales and customer support. Refer to "Item 3. Key Information—3.D. Risk Factors" - *Changing economic and financial environments in many countries and increasing global political and social instability may adversely impact our business.*

For the year ended December 31, 2022 and 2021, net sales in Russia and Ukraine amounted to approximately 2% of consolidated net sales. Total assets in Russia and Ukraine amounted to \$83 million as of December 31, 2022. As of December 31, 2022, operations previously impacted by the war on Ukraine continued operating to the extent practicable and permitted by law.

## COVID-19 Pandemic

The COVID-19 pandemic had a significant impact on our financial results and operations in 2020 and continued to have an impact on our financial results and operations through 2021 with lingering impacts in select markets, notably China, in



2022. The financial impact and risks are discussed in more detail in this Annual Report, including under “Item 5. Operating and Financial Review and Prospects”.

## Additional Information

The SEC maintains an Internet website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information regarding companies that file documents electronically with the SEC. Our Internet website is [www.alcon.com](http://www.alcon.com). The information included on our internet website or the information that might be accessed through such website is not included in this Annual Report and is not incorporated into this Annual Report by reference.



## 4.B. BUSINESS OVERVIEW

### Overview

Alcon is the global leader in eye care with \$8.7 billion in net sales during the year ended December 31, 2022. We research, develop, manufacture, distribute and sell a full suite of eye care products within two key businesses: Surgical and Vision Care. Based on sales for the year ended December 31, 2022, we are the number one company by global market share in the ophthalmic surgical market and in the vision care market. We employ over 25,000 associates from more than 100 nationalities, operating in 60 countries and serving consumers and patients in over 140 countries. We believe our market leading position and global footprint allow us to benefit from economies of scale, maximize the potential of our commercialized products and pipeline and will permit us to effectively grow the market and expand into new product categories.

Our Surgical business is focused on ophthalmic products for cataract surgery, vitreoretinal surgery, refractive laser surgery and glaucoma surgery. Our broad surgical portfolio includes implantables, consumables and surgical equipment required for these procedures and supports the end-to-end needs of the ophthalmic surgeon. Our Vision Care business comprises daily disposable, reusable and color-enhancing contact lenses and a comprehensive portfolio of ocular health products, including products for dry eye, ocular allergies, glaucoma, and contact lens care, as well as ocular vitamins and redness relievers. Alongside our world-class products, Alcon provides best-in-class service, training, education and technical support for our customers.

Our Surgical and Vision Care businesses are complementary and benefit from synergies in research and development, manufacturing, distribution and consumer awareness and education. This allows us to position ourselves as a trusted partner for eye care products across the continuum of care from retail consumer, to optometry, to surgical ophthalmology. For example, in research and development, we can apply our expertise in material and surface chemistry to develop innovative next-generation products for both our IOL and contact lens product lines. Similarly, our global commercial footprint and expertise as a global organization provide us with product development, manufacturing, distribution and commercial promotion and marketing knowledge that can be applied to both of our businesses.

We are dedicated to providing innovative products that enhance quality of life by helping people see brilliantly. Our strong foundation is based on our longstanding success as a trusted brand, our legacy of industry firsts and advancements, our leading positions in the markets in which we compete and our continued commitment to substantial investment in innovation. With more than 75 years of history in the ophthalmic industry, we believe the Alcon brand name is synonymous with innovation, quality, service and leadership among eye care professionals worldwide.

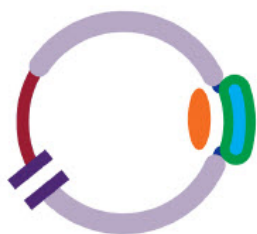
### Our Markets







#### Overview

We currently operate in the global ophthalmic surgical and vision care markets, which are large, dynamic and growing. As the world population grows and ages, the need for quality eye care is expanding and evolving, and we estimate that the size of the eye care market in which we operate is approximately \$32 billion and is projected to grow mid-single digits per year from 2022 to 2027.

Although it is estimated that 90% of all visual impairments are currently preventable, treatable or curable, we operate in markets that have substantial unmet medical and consumer needs. For example, based on market research, it is estimated that there are currently 65 million people with moderate to severe vision impairment due to cataracts, 1.8 billion who suffer from presbyopia, 153 million with uncorrected refractive errors, 146 million with diabetic retinopathy, 103 million living with glaucoma and approximately 1.4 billion who suffer from symptoms of dry eye, among other unaddressed ocular health conditions. In addition, there are 1 billion people living with some form of unaddressed visual impairment. Below is a brief description of these ocular disorders.





Eye disorders and location	Disorder	Results in
 <b>Refractive Errors</b> Front of Eye	Myopia (nearsightedness), hyperopia (farsightedness) and astigmatism (oddly shaped cornea)	Blurred or impaired vision
 <b>Presbyopia</b> Intraocular Lens	Hardening of the natural lens due to age (35 years and older)	Inability to focus up close
 <b>Dry Eye / Allergy</b> Cornea	Poor quantity and quality of tears / Reactions to allergy-causing substances (e.g., pollen, dander, and mold)	Blurred vision, itching, redness, and general discomfort
 <b>Cataracts</b> Intraocular Lens	Clouding of the eye's natural lens	Blindness if untreated
 <b>Retinal Diseases</b> Retina	Vitreomacular traction, retinal detachment, severe eye trauma, ocular complications of diabetes (diabetic retinopathy)	Can cause irreversible loss of vision
 <b>Glaucoma</b> Optic Nerve	Damage to the eye's optic nerve, usually from increased pressure in the eye	Vision loss and blindness

Our Surgical and Vision Care products are targeted at addressing many of these unmet medical and consumer needs. We expect the surgical and vision care markets to continue to grow, driven by multiple factors and trends, including:

- Aging population with growing eye care needs: A growing aging population continues to drive the increased prevalence of eye care conditions worldwide, as the number of persons aged 60 years or over is expected to more than double by 2050, rising from 962 million globally in 2017 to 2.1 billion in 2050.
- Innovation improving the quality of eye care: Technology innovation in eye care is driving an increased variety of products that more effectively treat eye conditions. The importance of vision correction and preservation, the high return on healthcare spend and the improved patient outcomes are leading to increased coverage and reimbursement opportunities from governmental and private third-party payors, expanding patient access to such eye care products.
- Increasing wealth and growth from emerging economies: It is estimated that by 2030 the global middle class population could exceed 5 billion people with the majority of growth coming in emerging markets. This major demographic shift is generating a large, new customer base with increased access to eye care products and services along with the resources to pay for them. The expansion of training opportunities for eye care professionals in emerging markets is also leading to increased patient awareness and access to premium eye care products and surgical procedures, facilitating their growth.
- Increasing prevalence of myopia, progressive myopia and digital eye strain: It is estimated that by 2050, half of the world's population (nearly five billion people) will be myopic. Further, the modern work environment, along with leisure preferences, have increased the number of hours people spend in front of a screen, adversely impacting vision and increasing the risk of progressive myopia and digital eye strain.

## The Surgical Market

The surgical market in which we operate is estimated to be \$12 billion and is projected to grow mid-single digits per year from 2022 to 2027. The surgical market includes sales of implantables, consumables and surgical equipment, including associated technical, clinical and service support and training. Surgical implantables are medical devices designed to remain in the eye, such as monofocal, AT-IOLs and stents placed in the eye during cataract surgery. Consumables include hand-held instruments, surgical solutions, equipment cassettes, patient interfaces and other disposable items typically used during a single ophthalmic surgical procedure. Finally, surgical equipment includes multi-use surgical consoles, lasers and diagnostic instruments used across procedures to enable surgeons to visualize and conduct ophthalmic surgeries. Market growth is expected to be driven mainly by:

- An aging population causing increased global demand in cataract and vitreoretinal procedures;
- Higher uptake of premium patient-pay technologies, such as where AT-IOL penetration is only 11% outside the US versus 19% in the US;



- Increased adoption of advanced technologies, such as improved diagnostic instruments, surgical options for glaucoma management and the growing use of phacoemulsification during cataract removal, which is utilized in over 65% of cases in emerging markets versus over 95% in the US; and
- The increasing prevalence of diabetes, the incidence of which has more than doubled from 4.7% in 1980 to 10.0% of adults in 2021, and for which eye disease is a comorbidity.

## The Vision Care Market

The vision care market in which we operate is estimated to be approximately \$20 billion and is projected to grow mid-single digits per year from 2022 to 2027. The vision care market is comprised of products designed for use by eye care professionals and consumers. Products are largely categorized across two product lines: contact lenses and ocular health. Market growth is expected to be driven mainly by:

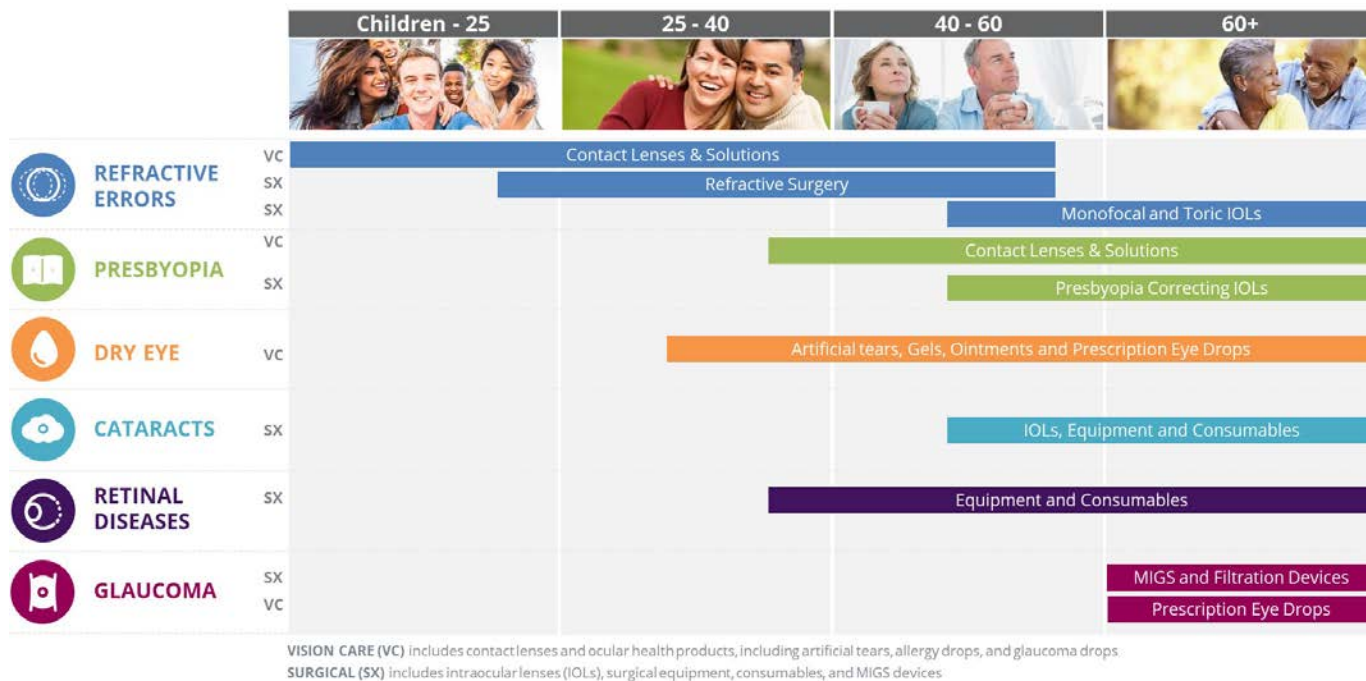
- Fast growing daily disposable SiHy contact lens and premium reusable lens segment fueled by better material, improved health and comfort and enhanced vision acuity;
- Advancements in specialty lenses combined with increasing demand for toric, multifocal and cosmetic lenses, which command an approximately 15-30% pricing premium over spherical lenses, allowing patients to continue wearing contact lenses as they become older and helping to expand the market;
- A significant population of approximately 1.4 billion people worldwide who suffer from symptoms of dry eye, but do not have clinical signs of dry eye, over 750 million people who have both symptoms and clinical signs of dry eye, and over 600 million people who are at risk of developing dry eye in that they have clinical signs, but are not yet suffering from dry eye symptoms;
- A rising number of elderly people worldwide such that primary open-angle glaucoma (POAG) now affects an estimated 68 million people and ocular hypertension, often a predecessor to POAG, is estimated to affect another 43 million people;
- Growing access and consumption of vision care products in emerging markets such as Asia, which had an estimated single-digit contact lens penetration as compared to double digits in the developed world; and
- Increasing consumer access through the expansion of distribution models, including internet sales and other direct-to-consumer channels.

## Our Business

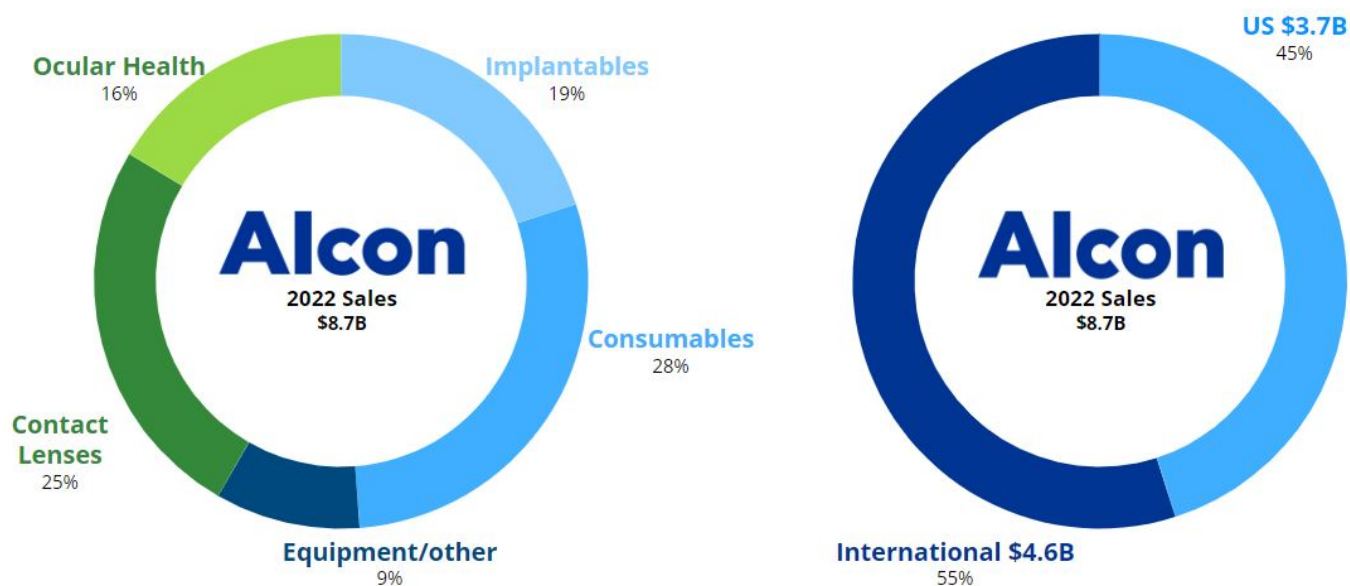
### Overview

With \$8.7 billion in net sales during the year ended December 31, 2022, we are the global leader in eye care. Our broad range of products represents one of the most complete portfolios in the ophthalmic industry and comprises high-quality and technologically advanced products across all major product categories in the surgical and vision care markets. Our Surgical and Vision Care products are used in treating multiple ocular health conditions and offer leading eye care solutions for patients throughout their lives.





Our leadership position across most of our product categories enhances our ability to extend our product offering through the launch of new and innovative products and to expand our geographic reach into ophthalmic markets worldwide. Our Surgical business had approximately \$5.0 billion in net sales of implantables, consumables and equipment, as well as services and other surgical products, and our Vision Care business had approximately \$3.6 billion in net sales of our contact lens and ocular health products, during the year ended December 31, 2022.



We believe the Alcon brand name is synonymous with innovation, quality, service and leadership among eye care professionals worldwide. In each of our markets, we rely on our strong relationships with eye care professionals and consumers to attract and retain customers and expand the market. We customize our selling efforts with the goal of surrounding eye care professionals with Alcon representatives who can help address each aspect of a customer's needs. Our field force supplements the direct promotion of our products by providing customers with access to clinical education programs, hands on training, data from clinical studies and technical service assistance.

We have 19 state-of-the-art manufacturing facilities that employ our proprietary technologies and know-how. We believe our global footprint, knowledge base in manufacturing, state-of-the-art facilities and capacity planning enable us to handle



increased levels of product demand and product complexity. Furthermore, our global manufacturing and supply chain allows us to leverage economies of scale and reduce cost per unit as we ramp up production.

We believe we have made one of the largest commitments to research and development of any surgical and vision care company, with over 1,600 associates worldwide researching and developing treatments for vision conditions and eye diseases, and have sought innovation from both internal and external sources. In 2022, we invested \$702 million in research and development. In addition to our in-house research and development capabilities, we also consider external innovation opportunities and routinely screen for companies developing emerging technologies that we believe could enhance our existing product offerings or develop into innovative new products. We intend to continue to pursue acquisition, licensing and collaboration opportunities as part of our goal of remaining a market leader in innovation.

## Our Surgical Business

We hold the number one position in the global surgical market, offering implantable products, consumables and equipment for use in surgical procedures to address cataracts, vitreoretinal conditions, refractive errors and glaucoma. Our Surgical business has the most complete line of ophthalmic surgical devices in the industry, creating a "one-stop shop" for our customers that we consider to be a key differentiator for our business. For the year ended December 31, 2022, our Surgical business had \$5.0 billion in net sales.

## Our Vision Care Business

Our Vision Care business consists of an extensive portfolio of contact lens and ocular health products, aimed at helping consumers see better. Our product lines include daily disposable, reusable and color-enhancing contact lenses. We also offer a comprehensive portfolio of ocular health products, including products for dry eye, glaucoma, contact lens care and ocular allergies, as well as ocular vitamins and redness relievers. With \$3.6 billion in vision care net sales for the year ended December 31, 2022, we aim to continue to innovate across our vision care portfolio to improve the lives of consumers and eye care professionals around the world.

## Our Strengths

We have a strong foundation based on robust industry expertise, leading brands and excellence in customer service, backed by more than 75 years of history as a trusted brand. Our strengths include:

- **Global leader in highly attractive markets with the most complete brand portfolio.** With \$8.7 billion in net sales in the year ended December 31, 2022, we are the leader in an attractive eye care market, which is supported by favorable population megatrends and is expected to grow mid-single digits per year from 2022 to 2027. Our Surgical business is the market leader in sales of ophthalmic equipment used in the operating room and is supported by the largest installed base of equipment worldwide, which we use to cross-promote our surgical consumables and IOLs. In our Vision Care business, our extensive portfolio of contact lens and ocular health products includes well-recognized brands such as *TOTAL*, *Precision*, *Systane*, *Pataday* and *Opti-Free*. We believe our global leadership position and extensive brand portfolio allow us to benefit and build on the robust fundamentals driving growth in our markets.
- **Innovation-focused with market leading development capabilities and investment.** We believe we have made one of the largest commitments to research and development in the eye care market, with proven research and development capabilities in the areas of optical design, material and surface chemistry, automation and equipment platforms. Currently, we employ over 1,600 individuals dedicated to our research and development efforts, including physicians, doctors of optometry and PhDs. In addition, we actively seek opportunities to collaborate with third parties on advanced technologies to support our eye care business.
- **Global scale and reach supported by high-quality manufacturing network.** We have an extensive global commercial footprint that provides us with the scale and reach to support future growth, maximize the potential of new launches, enter new geographies efficiently and to take advantage of the large, dynamic and growing surgical and vision care markets. Our commercial footprint, which includes operations in 60 countries, reaches consumers and patients in over 140 countries and is supported by over 3,700 sales force associates, 19 state-of-the-art manufacturing facilities employing our proprietary technologies and know-how and our extensive global regulatory capability. Our extensive sales and distribution network, supported by our market leadership position and focus on innovation and customer experience, enhances our ability to expand our geographic reach and extend our product offerings through the launch of new and innovative products worldwide.
- **Outstanding customer relationships and a trusted reputation for customer service, training and education.** We believe that maintaining the highest levels of service excellence in our customer experience is a critical success factor in our industry. In our Vision Care business, we regularly meet with eye care practitioners to



gain feedback and insights on our products and consumers' needs. We also provide training support at over 70 state-of-the-art interactive training centers around the world, as well as through numerous digital and event-based training programs that we provide for practitioners, clinical support staff, students, residents, patients and consumers. In each of our businesses, we have built and maintained our relationships with key stakeholders to establish our trusted reputation in the industry.

- **World leading expertise in eye care led by a first-class management team.** Our expertise in eye care is driven by our more than 75-year history in the industry and is supported by a high-quality workforce of more than 25,000 associates. We believe our institutional knowledge provides a competitive advantage because our associates' industry expertise, relationships with our customers and understanding of the development, manufacture and sale of our products helps us to better identify new customer needs, assess markets for entry and identify promising technologies. In addition, we believe the diverse experience of our management team in running complex businesses allows them to add significant value to our company. In particular, we benefit from having a management team with an extensive background in the eye care industry. Led by David J. Endicott, our Chief Executive Officer, our management team's deep knowledge of eye care has created excitement among our workforce for our mission.

## Our Strategy

Our going-forward strategy builds on five key pillars in order to generate sustainable and profitable growth:

- **Maximize the potential of our near-term portfolio by growing key products.** In Surgical, we plan to maintain our leading position in the IOL market as we continue to launch our AT-IOLs on our new *Clareon* platform. In addition, we expect improved diagnostics and new optical designs will address historical barriers to AT-IOL adoption to further grow this patient-pay market. We will also continue to invest behind our presbyopia-correcting products (e.g., *PanOptix*, *Vivity*), execute on the development of our next generation equipment ecosystem for the operating room and office, leading to integration and intra-operability, and expand our reach in surgical glaucoma with the recently acquired *Hydrus* microstent. In Vision Care, we intend to maintain and grow our leading position in most of our product categories through increased eye care professional and consumer education, supported by continuous production innovation. We intend to expand our position in the daily disposable category behind our *DAILIES TOTAL1* and *PRECISION1* family of products and trade patients up to a premium offering in the reusable segment with the *TOTAL30* family of products. We also continue to pursue cutting edge presbyopia solutions through new design lenses to existing multi-focal lenses to significantly improve visual performance and comfort for presbyopic patients and improve fitting and reduce chair time for the optometrist. Presbyopia segment could become an estimated \$5 billion market in the future if we are able to reduce dropout rate of presbyopic patients. We also aim to expand the dry eye product market by leveraging our well-recognized *Systane* family of eye drops and increasing investment in dry eye education and awareness, as well as address the allergy relief market with the *Pataday* family of products, where we see a significant unmet need and an opportunity for robust market growth.
- **Accelerate innovation and deliver the next wave of technologies.** We are committed to accelerating innovation by continuing to be one of the market leaders in investment in ophthalmic research and development. The research and development activities of our Surgical business are focused on expanding our AT-IOL portfolio to optimize the function of the IOL in restoring vision and reducing outcome variability, including through the use of advanced optics, adjustable materials and accommodating lenses. We are also developing next-generation lasers, robotics and other equipment for cataract, vitreoretinal and laser-refractive surgery, as well as improved visualization equipment. In our Vision Care business, our focus is on developing and launching new contact lens materials, coatings and designs to improve visual performance and to extend our product lines and improve patient comfort, as well as on new products to expand our portfolio of dry eye diagnostic and treatment, presbyopia and ocular health products. Finally, we expect to continue to supplement our internal innovation investments by identifying and executing on attractive BD&L opportunities with leading academic institutions and early-stage companies.
- **Capture opportunities to expand markets and pursue adjacencies.** We believe there is a significant opportunity for growth in markets around the world due to under-penetration of both premium surgical devices, such as AT-IOLs, and of our Vision Care portfolio. We intend to facilitate this growth by continued investment in promotion and customer education across all of our markets. In emerging markets in particular, we believe that the growing number of eye care professionals and dedicated eye hospitals, increased levels of affluence, improving technology access and better patient awareness will increase the adoption of our products. By acquiring Ivantis, Inc. in early 2022, we expanded our Surgical portfolio to include the *Hydrus* microstent, a minimally invasive glaucoma surgery (or MIGS) device for the treatment of mild-to-moderate glaucoma. We are also expanding into the ophthalmic pharmaceutical space through the acquisitions of the exclusive US



commercialization rights for *Simbrinza* from Novartis in June 2021 and *Eysuvis* and *Inveltys* from Kala Pharmaceuticals, Inc. in July 2022, and most recently the acquisition of Aerie Pharmaceuticals, Inc. in November 2022. The Aerie transaction adds on-market products *Roklatan* and *Rhopressa* as well as pipeline of products, and R&D capabilities to expand our ophthalmic pharmaceutical presence. In addition, we believe we have significant opportunities to expand into adjacent product categories in which Alcon has not significantly participated in the past, through a combination of internal development efforts and potential mergers and acquisitions activity. These opportunities include pharmaceuticals, office-based diagnostics, surgical visualization and consumer driven ocular health products, where we expect our eye care expertise and global commercial footprint will allow us to attract and retain new customers.

- **Support new business models to expand customer experience.** In Surgical, we intend to continue to identify new business models that benefit healthcare providers and improve access to leading Alcon products and technologies. For example, we are pursuing value-based business models that reward improved patient outcomes, as well as models that contract the entire procedure versus individual products. In Vision Care, where e-commerce entries have created some disruption of traditional sales channels, we believe that digital technology can address pain points experienced in existing paths to purchase. We intend to continue investing and innovating in digital capabilities to develop new business models in response to channel shifts and the increase in direct-to-consumer influence.
- **Leverage infrastructure to improve operating efficiencies and margin profile over time.** With the significant organizational and infrastructure investments we have made over the last several years, we believe we have established a stable foundation that will allow us to continue to enhance the productivity of our commercial resources. We expect to drive significant top line growth and increase operating leverage through improved sales mix, further supply chain efficiency initiatives and support new lower-cost manufacturing platforms to meaningfully improve our core operating income margins over time.

## Our Industry

### Selected Conditions that are Treated by Eye Surgery and Surgical Products

#### Cataracts

A cataract is the progressive clouding of the normally transparent natural lens in the eye. This clouding is usually caused by the aging process, although it can also be caused by heredity, diabetes, environmental factors and, in some cases, medications. As cataracts grow, they typically result in blurred vision and increased sensitivity to light. Cataract formations occur at different rates and may affect one or both eyes. Cataract surgery is one of the most frequently performed surgical procedures. According to the National Eye Institute, cataracts are the leading cause of blindness worldwide even though effective surgical treatment exists. Currently, surgical removal of the clouded lens followed by insertion of a transparent artificial replacement lens, called an IOL, is the preferred treatment for cataracts. The clouded lens is usually removed through a process known as phacoemulsification. During phacoemulsification, an ophthalmic surgeon makes a small surgical incision in the cornea (approximately 2-3 millimeters wide) and inserts an ultrasonic probe that breaks up, or emulsifies, the clouded lens while a hollow needle removes the pieces of the lens. Once the clouded lens is removed, the surgeon inserts an intraocular lens through the same surgical incision. An AT-IOL is a type of IOL that also corrects for refractive errors, like presbyopia and astigmatism.

#### Retinal Disorders

Vitreoretinal procedures involve surgery on the back portion of the eye, namely the retina and surrounding structures. Vitrectomy is the removal of the gel-like substance, known as vitreous, that fills the back portion of the eye. Removal of the vitreous allows a vitreoretinal surgeon to operate directly on the retina or on membranes or tissues that have covered the retina. These procedures typically treat conditions such as diabetic retinopathy, retinal detachment or tears, macular holes, complications of surgery on the front of the eye, diabetic macular edema, trauma, tumors and pediatric disorders. Vitreoretinal surgery can also involve electronic surgical equipment, lasers and hand-held microsurgical instruments as well as gases and liquids that are injected into the eye.

#### Refractive Errors

Refractive errors, such as myopia, commonly known as near-sightedness, hyperopia, commonly known as far-sightedness, and astigmatism, a condition in which images are not focused at any one point, result from an inability of the cornea and the lens to focus images on the retina properly. If the curvature of the cornea is incorrect, light passing through it onto the retina is not properly focused and a blurred image results. For many years, eyeglasses and contact lenses were the only solutions for individuals afflicted with common visual impairments; however, they are not always convenient or attractive



solutions. Laser refractive surgery offers an alternative to eyeglasses and contact lenses. Excimer lasers, which are low-temperature lasers that remove tissue without burning, are currently used to correct refractive errors by removing small amounts of tissue to reshape the cornea. These lasers remove tissue precisely without the use of heat and without affecting the surrounding tissue. In the LASIK procedure, the surgeon uses either a femtosecond laser or an automated microsurgical instrument, called a microkeratome, to create a thin corneal flap that remains hinged to the eye. The corneal flap is then folded back and excimer laser pulses are applied to the exposed layer of the cornea to change the shape of the cornea. The corneal flap is then returned to its normal position. LASIK has become the most commonly practiced form of laser refractive surgery globally.

## Presbyopia

Presbyopia occurs when the natural crystalline lens inside the eye becomes less flexible and loses the ability to focus on close objects. Presbyopia is a vision condition that accompanies the natural aging process of the eye. It cannot be prevented and affects nearly two billion people worldwide. Although the onset of presbyopia among patients may seem to occur suddenly, generally becoming noticeable when patients reach their mid- to late 30s or early to mid-40s, sight reduction typically occurs gradually over time and continues for the rest of the patient's life. Some signs of presbyopia include difficulty reading materials held close to the reader, blurred vision while viewing a computer screen and eye fatigue along with headaches when reading. Presbyopia can be accompanied by other common vision conditions, such as myopia, hyperopia and astigmatism. Presbyopia, while most commonly managed with reading glasses, can be addressed surgically by the implantation of an AT-IOL that allows for the correction of presbyopia at the time of cataract surgery.

## Glaucoma

Glaucoma, a group of eye conditions that damage the optic nerve, is the second leading cause of blindness worldwide. While elevated intraocular pressure was historically considered to be synonymous with glaucoma, it is now known that many patients with glaucoma have normal intraocular pressure. Treating glaucoma is typically aimed at lowering intraocular pressure for patients with normal or elevated pressure.

Most commonly, glaucoma is managed using medication (e.g., drops). For cases requiring additional intervention, laser-based procedures and conventional surgical techniques, such as filtration surgery and tube shunts, have typically been used to lower IOP. Filtration surgeries, such as trabeculectomy, involve the creation of a new channel to drain aqueous humor from inside the eye. Similarly, tube shunts establish a route for fluid to exit through an implanted device. More recently, a new category of device and procedure-based surgical intervention, known as MIGS, has emerged and is experiencing rapid adoption among both glaucoma and cataract specialists.

## Selected Conditions and Eye Care Considerations that are Addressed by Vision Care Products

### Refractive Errors

Refractive errors such as myopia, hyperopia, astigmatism and presbyopia are commonly addressed by the use of contact lenses. Presbyopia, for example, can be addressed by the use of multifocal and multifocal toric contact lenses.

### Dry Eye Disease

Dry eye disease is a ubiquitous, complex and multifactorial condition, and its effect on patients ranges from intermittent and irritating discomfort to a serious, chronic, progressive and irreversible vision-threatening disorder. The incidence of dry eyes rises with age, and longer life spans and aging populations throughout the world are key contributors to increased demand for treatment. Evolving patterns of work and play also contribute to increased demand for treatment, as more people spend significant amounts of time working on computers and other digital devices. Wealthier, professional and urban population segments are expanding in rapidly emerging economies and other developing nations, and these populations have greater access to health care and more resources with which to acquire treatment. In addition, more sophisticated diagnostic tools and a greater variety of dry eye products and treatments, such as artificial tear products, are offering improved effectiveness and greater relief as they simultaneously stimulate demand.

### Infections and Contamination due to Inadequate Contact Lens Care

Proper care of contact lenses through compliance with disinfection regimens is important in reducing the risk of infection and irritation associated with the use of reusable contact lenses, as contact lenses are subject to contamination from cosmetics, grease, bacteria, soaps, hand lotions and atmospheric pollutants, and from proteins contained in natural tears.



When used properly, contact lens care products remove such contaminants from the surface of the contact lens. In addition, lens rewetting drops may be used to rehydrate the lens during wear and to clear away surface material.

## Ocular Allergies

Allergic conjunctivitis occurs when the conjunctiva of the eye becomes swollen from inflammation due to a reaction to pollen, dander, mold or other allergy-causing substances. When the eyes are exposed to allergy-causing substances, which can vary from person-to-person and are often dependent on geography, a substance called histamine is released by the body and causes blood vessels in the conjunctiva to swell. "Allergy eyes" can become red and itchy very quickly. Seasonal Allergic Conjunctivitis ("SAC") is the most common type of eye allergy. People affected by SAC experience symptoms during certain seasons of the year. Allergy eye can be treated with various ocular health products including medications, such as antihistamines, and combinations of antihistamines and redness relievers.

## Glaucoma

Glaucoma is commonly managed using prescription eye drops to reduce intraocular pressure for patients with normal or elevated pressure.

## Our Products

We research, develop, manufacture, distribute and sell eye care products. Our broad range of products represents one of the strongest portfolios in the eye care industry, with high-quality and technologically advanced products across all major product categories in ophthalmic surgical devices and vision care. We are organized into two global business segments: Surgical and Vision Care.

## Surgical

We hold the number one position in the global ophthalmic surgical market, offering implantable products, consumables and equipment for use in surgical procedures to address cataracts, vitreoretinal conditions, refractive errors and glaucoma. Our Surgical portfolio includes equipment, instrumentation and diagnostics, IOLs and other implantables and a broad line of consumables, including viscoelastics, surgical solutions, incisional instruments, surgical custom packs and other products. For the year ended December 31, 2022, net sales for our implantables, consumables and equipment and other surgical products were \$1.7 billion, \$2.5 billion and \$0.8 billion, respectively.

Cataract, vitreoretinal, refractive and glaucoma surgeries are generally performed in hospitals or ambulatory surgery centers and are supported through a network of eye clinics, ophthalmic surgery offices and group purchasing organizations. The primary ophthalmic surgical procedures for cataract, vitreoretinal and glaucoma surgery are broadly reimbursed in most mature markets. Third-party coverage or patient co-pay options are also available for refractive laser correction and AT-IOLs. Finally, a growing private pay market for premium surgical devices provides a mutually beneficial environment for patients, providers and medical device companies by allowing patients to pay the non-reimbursable cost of a procedure associated with selecting premium devices, such as AT-IOLs.

Our installed base of equipment is core to our market leading position in our Surgical business, with best-in-class platforms in cataract and vitreoretinal equipment and the largest installed base of cataract phacoemulsification consoles, vitrectomy consoles and refractive lasers in the industry. These platforms each have long buying cycles that last approximately seven to ten years and act as anchoring technologies that drive recurring sales of our consumables and help cross-promote sales of our implantable devices.

Sustainable patient access to quality eye care is core to our business. Alcon has invested significant resources to innovate new technologies, expand reimbursement pathways (public and/or private insurance) and teach new skills to clinicians around the world to improve patient outcomes and eye care access. Across our Surgical portfolio, we sell a tiered offering of products intended to meet the specific needs of customers in markets around the world at different price points. Newly launched offerings that bring considerable technology innovation to the market are typically introduced at a price premium to offset the cost of research and development. As these products age and/or competitive products advance, prices typically trend downward, requiring continuous innovation cycles to maintain and/or grow our margins. We also develop specific products to match customer needs in different customer segments, for example, premium-tier and mid-tier surgical consoles that can be manufactured and sold at different price points in different markets. Likewise, we have introduced the *Legion* system to help fill the gap in access to phacoemulsification surgery. This affordable system brings some of the advanced features of the *Centurion* system, combined with the greater serviceability, durability and portability to developing markets.



## Surgical Portfolio Cataract Suite



Our strong installed base of equipment and extensive clinician relationships drive sales of our IOLs and consumables. We consider the quality and breadth of our portfolio to be a key differentiator as a "one-stop-shop" offering for our customers, synonymous with quality, reliability and accessibility. Our Cataract Refractive Suite covers every stage of the surgical workflow from clinical planning to cataract removal and post-operative optimization.

We sell *Centurion*, our vision system for cataract surgery in most major markets. This system includes Active Fluidics technology, an automated system that optimizes anterior chamber stability by allowing surgeons to proactively set and maintain target IOP within the eye during the cataract removal procedure, thereby delivering an unprecedented level of intraoperative control.

We also sell the *LenSx* laser system in select major markets. The first femtosecond laser to receive FDA clearance for use in cataract surgery, *LenSx* is used to create incisions in the cornea, create a capsulorhexis and complete lens fragmentation as part of the cataract procedure. This enables surgeons to perform some of the most delicate manual steps of cataract surgery with image-guided visualization and micron precision.

Our Verion reference unit and Verion digital marker together form an advanced surgical planning, imaging and guidance technology designed to provide greater accuracy and efficiency during cataract surgery. Our ORA System provides key intra-operative measurements to improve the placement precision of an implanted IOL during cataract surgery, for example, by aligning the rotation of a toric IOL to the axis of astigmatism. Post-operatively, our ORA System aids with outcomes analysis and ongoing optimization for improved outcomes.

In 2019, we launched our Argos biometer, which offers an integrated image-guided solution for every step of the surgical process from post-operative measurement to surgical planning and intra-operative guidance for optimal IOL positioning. Argos biometer provides efficient measurement, simplified workflow, precise measurement via swept-source OCT (SS-OCT), and integration with the rest of our cataract refractive suite.

In 2021, we launched our first application, SMARTCataract, to our digital health platform, SMART Solutions, enabling remote cataract surgical planning and automated transfer of data from diagnostic devices to OR equipment, reducing time spent manually entering patient data into individual devices.

Finally, the NGENUITY 3D visualization system provides surgeons improved visualization by combining a high-dynamic 3D camera, advanced high-speed image optimization, polarizing surgeon glasses and an ultra-high definition 4K OLED 3D display that offers improved depth perception. Within visualization, we also sell the *LuxOR* surgical ophthalmic microscope with its proprietary *ILLUMIN-i* technology, which provides an expanded illumination field with a 6x-larger, highly stable red reflex zone.



An IOL is a tiny, artificial lens for the eye, which replaces the eye's natural lens that is removed during cataract surgery. We have a longstanding record of innovation within the IOL market. Our *AcrySof* IOL is the most implanted IOL in the world. *AcrySof* IOLs are made of the first material specifically engineered for use in intraocular lens.

In 2005, we introduced a new class of IOLs to correct presbyopia with our multifocal *AcrySof ReSTOR* offering. In 2006, we launched the *AcrySof Toric* IOL, designed to correct various levels of preexisting astigmatism in cataract patients. In 2009, we launched the *AcrySof IQ Toric* lens globally, incorporating the aspheric technology into a toric design.

In recent years, presbyopia correction lenses have evolved to include trifocal designs. Beginning in 2015, we launched the *AcrySof IQ PanOptix* trifocal IOL in select markets. This novel diffractive optic sends light to three foci to support near, intermediate and distance vision. Beginning in 2019, we also launched the *AcrySof IQ Vivity* non-diffractive extended depth of focus ("EDoF") IOL in select markets. This optic design allows for extended range of vision and presbyopia correction



with the visual disturbance profile of a monofocal IOL. In 2022, we launched *Clareon PanOptix* and *Clareon Vivity* in North America, Asia, and the EU, combining our leading trifocal and EDoF optic designs with a new material with an advanced design that enables sharp, crisp vision, low edge glare and unsurpassed optic clarity.

We have also introduced several innovations to the delivery device used for introducing an IOL into the capsular bag during cataract surgery. Our *UltraSert* pre-loaded IOL delivery system combines the control of a manually loaded device with the safety and convenience of a disposable, pre-loaded injector to optimize the implantation of the *AcrySof IQ Aspheric* IOL into the cataract patient's eye.

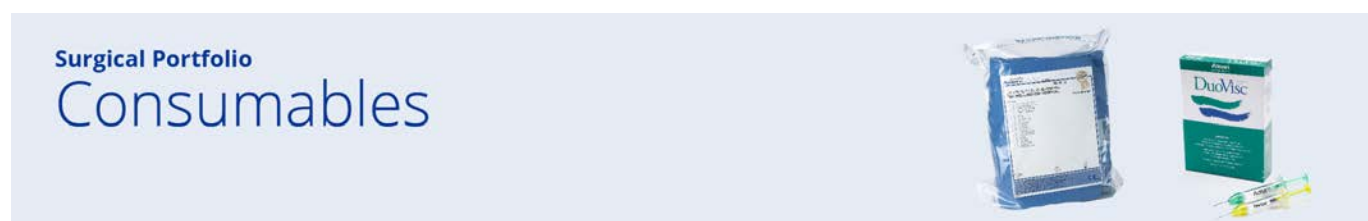
In 2017, we received a European CE Mark for the *Clareon* IOL with the *AutonoMe* delivery system followed by FDA approval in 2020. *AutonoMe* is the first automated, disposable, pre-loaded IOL delivery system that enables precise delivery of the IOL into the capsular bag in patients undergoing cataract surgery. The new device is being introduced with the *Clareon* IOL.

Our AT-IOLs (those that correct for refractive errors such as presbyopia and astigmatism) provide significant visual benefits to patients above standard monofocal IOLs. Accordingly, the price for these AT-IOLs is higher than the price for monofocal styles. This impacts the market penetration of AT-IOLs in the majority of countries, as patients must pay incremental charges above the cost of traditional cataract surgery to obtain an AT-IOL and, in some markets, must pay out-of-pocket for the entire surgical procedure and the AT-IOL.

In the US, our monofocal IOLs are generally fully covered by medical insurance providers or government reimbursement programs, whereas certain of our AT-IOLs may only be partially covered. This payment model was established by two landmark rulings issued by CMS in May 2005 and January 2007. The CMS rulings provide Medicare beneficiaries a choice between cataract surgery with a monofocal IOL, which would be reimbursed as a covered benefit under Medicare, or cataract surgery with an AT-IOL, which would be partially reimbursed under Medicare and partially paid out-of-pocket. Many commercial insurance plans mirror the CMS rulings, although commercial plans may vary based on third-party payor. The bifurcated payment for the implantation of AT-IOLs has increased the market acceptance of our AT-IOLs in the US. Outside the US, payment and reimbursement models vary widely from country to country, generally depending on the policy adopted by the relevant local healthcare authority on coverage and payment.

In addition to IOLs, we offer devices to treat glaucoma. In 2018, the *Hydrus* microstent device was launched in the US by Ivantis, which we acquired in 2022. *Hydrus* is approved and marketed in the US, UK, Germany, Canada, Australia, Singapore, Ireland and Malaysia. The microstent is implanted into the Schlemm's canal to enhance outflow, reducing eye pressure for the treatment of primary open angle glaucoma (POAG).

Our *EX-PRESS* glaucoma filtration device is approved and marketed for refractory glaucoma in the US, Europe, Canada, Australia and several other markets. The device shunts aqueous from the anterior chamber to a subconjunctival reservoir in a similar fashion as a trabeculectomy without removal of any sclera or iris tissue.



To provide convenience, efficiency and value for ophthalmic surgeons, Alcon offers *Custom Pak* surgical procedure packs for use in ophthalmic surgery. Unlike conventional surgical procedure packs, our *Custom Pak* surgical procedure packs allow individual surgeons to customize the products included in their pack, which results in less waste in the environment. Our *Custom Pak* surgical procedure packs include both our single-use products as well as third-party items not manufactured by Alcon. We believe that our *Custom Pak* offering allows ophthalmic surgeons to improve their efficiency in the operating room, while avoiding the complexity and cost of having to kit surgical items for each respective procedure. We offer more than 10,000 configurations of our *Custom Pak* surgical procedure packs globally.



## Surgical Portfolio

# Vitreoretinal Suite



Our vitreoretinal surgical product offering is one of the most comprehensive in the industry for surgical procedures for the back of the eye. We currently market our vitreoretinal surgical products in substantially all of the countries in which we sell products.

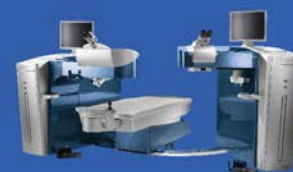
For vitrectomy procedures, we sell our *Constellation* vision system globally. We believe this system delivers a higher level of control to the physician through higher vitreous cutting rates and embedded laser technology. The *Constellation* vision system platform continues to drive our market share in the global premium segment of vitrectomy packs.

In addition to our *Constellation* vision system, we also sell a full line of vitreoretinal products, including procedure packs, lasers and hand-held microsurgical instruments, as well as our *Grieshaber* and *MIVS* lines of disposable retinal surgery instruments. We also sell a full line of scissors, forceps and micro-instruments in varying gauge sizes, as well as a range of medical grade vitreous tamponades, which replace vitreous humor during many retinal procedures.

We continue to advance our portfolio with smaller gauge (27+) instruments and higher cut speed vitrectomy probes. We also sell *Hypervit* high speed vitrectomy probes, which operate at a speed of 20,000 cuts per minute ("cpm"). This increased speed helps reduce traction that can cause iatrogenic tears and post-operative complications.

## Surgical Portfolio

# Refractive Suite



Our refractive products include lasers, disposable patient interfaces used during laser vision correction procedures, technology fees and diagnostic devices necessary to plan the refractive procedures. Our *WaveLight* refractive suite includes the EX500 excimer laser, designed to reshape the cornea, and the FS200 femtosecond laser, designed to create a corneal flap and to deliver laser refractive therapy as part of the LASIK refractive procedure.

We also launched *Contoura* Vision, a topography-guided LASIK treatment designed to provide surgeons with the ability to perform more personalized laser procedures for patients with near-sightedness, or near-sightedness with astigmatism. This procedure is based on the unique corneal topography of each eye, as measured through the *WaveLight Topolyzer* VARIO diagnostic device.

## Vision Care

Our Vision Care portfolio comprises daily disposable, reusable and color-enhancing contact lenses, as well as a comprehensive portfolio of ocular health products, including products for dry eye, glaucoma, contact lens care and ocular allergies, as well as ocular vitamins and redness relievers. For the year ended December 31, 2022, net sales of our contact lens and ocular health products were \$2.2 billion and \$1.4 billion, respectively.

We serve our customers and patients through optometrists, ophthalmologists and other eye care professionals, retailers, optical chains and pharmacies, as well as distributors that resell directly to smaller retailers and eye care professionals, who sell the products to end-users. The vision care market is primarily private pay, with patients substantially paying for contact lenses and ocular health products out-of-pocket. Partial reimbursement is available in some countries for visits to eye care professionals and a portion of either spectacle or contact lens costs.

Sales of our contact lens and ocular health products are influenced by optometrist, ophthalmologist and other eye care professional recommendations, our marketing and consumer education efforts and consumer preferences. In addition to price, contact lenses compete on functionality, design and comfort, while ocular health products compete largely on product attributes, brand familiarity and professional recommendations. For our contact lens and ocular health products, we typically compete in the premium price segments of the market and we use improvements in functionality, design and consumer convenience to maintain our pricing position over time.



## Vision Care Portfolio

# Contact Lenses



Alcon is the number two company in the branded contact lens market based on market share in 2022. We are the number one manufacturer of daily disposable SiHy lenses in the US in 2022. This position is driven largely by our core brands *TOTAL*, *PRECISION*, *DAILIES AquaComfort PLUS* and *Air Optix*.

Our *TOTAL* product line with its water gradient technology reduces end-of-day dryness, as the water content approaches nearly 100% at the outermost surface of the lens, and is designed to be a super-premium lens positioned to compete at the highest levels across the contact lens market. Our *TOTAL* product line includes *DAILIES TOTAL1*, the first and only water gradient disposable contact lens in the market. We launched *TOTAL30*, our premium offering in the reusable segment, in 2021 to encourage patients to trade up to a next generation, water gradient technology. *DAILIES TOTAL1* in the multifocal offering provides a platform for expanding the presbyopia market, which we believe is a potential multibillion dollar opportunity for market participants.

*PRECISION1*, our new mainstream daily disposable silicone-hydrogel ("SiHy") lens with aqueous extraction and surface treatment, is priced in between the super-premium *DAILIES TOTAL1* and the more value-conscious *DAILIES AquaComfort PLUS*. *PRECISION1* is designed for long lasting performance and delivers precise vision, dependable comfort and ease of handling. Following a successful introduction of *PRECISION1* spherical lenses, we introduced *PRECISION1* for Astigmatism, a toric lens designed for astigmatic patients. In the US and EU, *PRECISION1* for Astigmatism features the *PRECISION BALANCE 8|4* lens design for a stable lens-wearing experience. Studies show that 47% of patients have astigmatism that needs correction, but less than 15% wear toric contact lenses. As a result, we believe the launch of *PRECISION1* for Astigmatism provides a significant opportunity to attract new contact lens wearers and maximize retention.

*DAILIES AquaComfort PLUS*, our most affordable daily disposable contact lens in monofocal, astigmatism-correcting and multifocal options, delivers dependable performance by working with tears to release moisture with every blink. This lens is designed for value-conscious wearers who want the flexibility and simplicity of a daily disposable lens.

*Air Optix*, our more affordable monthly replacement product line, features SiHy contact lenses in monofocal, astigmatism-correcting and multifocal options, as well as *Air Optix Colors* and *Air Optix plus HydraGlyde* contact lenses. *Air Optix plus HydraGlyde* brings together two innovative technologies—*SmartShield* technology and *HydraGlyde* moisture matrix—for a unique combination of deposit protection and longer-lasting lens surface moisture.

We continue to experience market growth driven by trade-up to premium lenses, expansion of toric and multifocal specialty lenses, as well as increasing penetration in emerging markets.

## Vision Care Portfolio

# Ocular Health



Our key brands in our ocular health portfolio include the *Systane* family of artificial tear and related dry eye products, *Pataday* family of eye allergy products, as well as the *Opti-Free* and *Clear Care* lines of multi-purpose and hydrogen peroxide disinfecting solutions, respectively.

Alcon currently holds a market leading position in artificial tears. We continue to focus on core product performance while increasing promotion behind a best-in-class innovation portfolio under the brand leadership of *Systane* artificial tears. The *Systane* portfolio is a comprehensive offering of ocular health solutions, most of which are indicated for the temporary relief of burning and irritation due to dryness of the eye. The *Systane* portfolio includes products for daily and nighttime relief, as well as products for discomfort associated with contact lens wear. In 2021, we continued significant international expansion for *Systane Ultra* multi-dose preservative-free ("MDPF") and *Systane Hydration MDPF*. By adding the option of MDPF presentations to our portfolio, we address a key need by many eye care practitioners for effective dry eye relief without preservatives.



Previously available only by prescription, in 2020, we began to offer the *Pataday* family of allergy relief eye drops over-the-counter. *Pataday* Twice Daily Relief, *Pataday* Once Daily Relief and *Pataday* Once Daily Extra Strength eye drops each contains olopatadine, the number one doctor-prescribed active ingredient for eye allergy relief.

In 2021, we began our expansion into the ophthalmic pharmaceutical space by acquiring the exclusive US commercialization rights to *Simbrinza*, a fixed combination of a carbonic anhydrase inhibitor and an alpha-2 adrenergic receptor agonist indicated for the reduction of elevated intraocular pressure ("IOP") in patients with open-angle glaucoma or ocular hypertension. We then acquired *Eysuvis*, a corticosteroid indicated for the short-term (up to two weeks) treatment of the signs and symptoms of dry eye disease, and *Inveltys*, a corticosteroid indicated for the treatment of post-operative inflammation and pain following ocular surgery, from Kala Pharmaceuticals, Inc. in July 2022. In November 2022, to complement our previous acquisitions, we acquired Aerie Pharmaceuticals, Inc. The Aerie transaction adds on-market products *Rhopressa*, a once-daily eye drop that contains netarsudil, a Rho kinase (ROCK) inhibitor specifically designed to target a diseased trabecular meshwork believed to be the main cause of elevated IOP in open-angle glaucoma and ocular hypertension, and *Rocklatan*, a once-daily eye drop that is a fixed-dose combination of latanoprost, a prostaglandin analog (PGA), and netarsudil, as well as a pipeline of products, including AR-15512, a Phase 3 product candidate for dry eye disease, and R&D capabilities to expand our ophthalmic pharmaceutical presence.

Alcon is also a market leader in contact lens care in both multi-purpose (*Opti-Free PureMoist*) and hydrogen peroxide solutions (*Clear Care* and *AOSEPT PLUS*). The vast majority of our contact lens care products are comprised of disinfecting solutions to remove harmful micro-organisms on contact lenses, with a smaller amount of sales coming from contact lens rewetting drops to improve wearing comfort for contact lenses. We benefit from strong synergies between our contact lens business and our contact lens care products.

Finally, our ocular health portfolio also includes artificial tear and related dry eye products marketed under the *Tears Naturale* and *Gentle* brands, products for the temporary relief of ocular itching due to ocular allergies marketed under the *Naphcon-A* and *Zaditor* brands and vitamins for the maintenance of general ocular health marketed under the *ICAPS* and *Vitalux* brands.

Our ocular health portfolio is typically over the counter, but certain of our ocular health products are regulated as pharmaceuticals and require a prescription.

## Principal Markets

Alcon serves consumers and patients in over 140 countries worldwide. The US is our largest market with 45% of our net sales in 2022, see Note 4. Segment information to the Consolidated Financial Statements for net sales by geography. US sales of the vast majority of our products are not subject to material changes in seasonal demand; however, sales of certain of our vision care products, including those for allergies and dry eye, are subject to seasonal variation. In addition, sales of our surgical equipment are also subject to variation based on hospital or clinic purchasing cycles.

## Research and Development

We believe we have made one of the largest commitments to research and development in the eye care market, with proven research and development capabilities in the areas of clinical research and development, optical design, material and surface chemistry, software development, automation and equipment platforms. Currently, our research and development organization employs over 1,600 individuals dedicated to our research and development efforts, including physicians, doctors of optometry and PhDs. Our researchers have extensive experience in the field of ophthalmology and frequently have academic or practitioner backgrounds to complement their product development expertise.

We organize cross-functional development teams to drive new innovations to our customers and our patients around the world. New projects for our Surgical and Vision Care pipelines originate either from concepts developed internally by staff scientists and engineers, ideas from eye care professionals, or through strategic partnerships with academic institutions or other companies. In 2022, we launched the Alcon Seed Fund, a mechanism that enables collaboration with external partners to progress even more new product ideas in a way that is complementary to our existing internal ideation processes. We have designed our research and development organization to achieve global registration of products through the efforts of a global clinical and regulatory affairs organization.

We invested approximately \$702 million, \$842 million and \$673 million in research and development in 2022, 2021 and 2020, respectively. In addition to our in-house research and development capabilities, as part of our efforts to pursue strategic research and development partnerships with third parties, our dedicated business development team has completed approximately 75 BD&L transactions since 2017. In addition, in 2021, we announced the launch of our first application, SMARTCataract, to our digital health platform, SMART Solutions, which leverages the open, cloud-based



infrastructure and services of Philips HealthSuite. We believe that this new platform furthers our leadership in clinic-to-operating room (OR) integration with image-guided technologies and cloud-based planning. We continually review and refine our operating model to optimize for efficiency and productivity. In 2022, we delivered several new innovations to address patient and customer needs including *Dailies TOTAL1* for Astigmatism, a new preservative-free formulation of *Systane Complete* and a new portfolio of *Clareon* intraocular lenses. Across our Surgical and Vision Care pipelines, we have more than 100+ pipeline projects in process as of December 31, 2022, including 71 that have achieved positive proof of concept or are undergoing regulatory review.

In 2022, as part of the Aerie acquisition, we added significant technical expertise to our R&D capabilities enhancing our drug formulation expertise and our drug delivery capabilities. For example, we added AR-15512, a Phase 3 product candidate for dry eye disease, which is a highly selective TRPM8 (transient receptor potential melastatin) agonist. TRPM8 receptors are associated with the detection of ocular surface dryness and are activated by evaporative cooling and hyperosmolarity, leading to the stimulation of tear production. In addition, TRPM8 agonists promote a cooling sensation that may reduce ocular pain and discomfort. Thus, AR-15512 may lead to treatment of dry eye by stimulating tear production and reducing ocular discomfort. Beyond AR-15512, through the Aerie transaction, we acquired worldwide ophthalmic rights to a bio-erodible polymer technology and *PRINT* implant manufacturing technology, which is a proprietary technology capable of creating precisely-engineered sustained-release products utilizing fully-scalable manufacturing processes. Using these technologies, we believe we have created a sustained-release ophthalmology platform and are currently developing sustained-release implants focused on retinal diseases, and in the future we believe this technology may be useful as we explore additional sustained-release applications using existing molecules. In connection with the product acquisition from Kala Pharmaceuticals, we also acquired *AMPPLIFY*, a drug delivery technology that helps solve the problem faced by conventionally formulated ophthalmic drugs, which have their potency rapidly decreased when the active drug substance is eliminated via the tear film, by achieving a higher concentration of the active drug on the surface of the eye. Finally, we are conducting some limited earlier stage research related to diabetic macular edema (DME) and wet age-related macular degeneration (AMD).

We recently launched a multi-year strategic initiative focused on evolving research and development capabilities to continue our growth and success. We have shifted to a capability-oriented research and development model that enables more standardization, consistency, agility and knowledge sharing into our processes. In addition, we initiated an enterprise-wide effort to modernize ways of working and adopt industry-leading technologies to enable accelerated product development.

Our research and development organization maintains an extensive network of relationships with top-tier scientists in academia and with leading healthcare professionals, surgeons, inventors and clinician-scientists working in ophthalmology. The principal purpose of these collaborative scientific interactions is to supplement our internal pipeline and leverage technological advancements in academia and the clinical setting.

While our primary focus is on delivering new products to our patients and customers, we also support the advancement of basic science through the Alcon Research Institute, which seeks to encourage, advance and support vision research. The Alcon Research Institute is one of the largest corporately funded research organizations devoted to vision research in the world. The Institute's activities are planned and directed by an autonomous Executive Steering Committee that is comprised of distinguished ophthalmologists and vision researchers. The Institute has worldwide representation and operates under the premise that improvements in the diagnosis and treatment of ocular diseases are dependent upon advances in basic science and clinical research carried out by independent investigators in institutions throughout the world.

Research and development activities within our Surgical business are focused on expanding intraocular lens capabilities to further improve surgical and refractive outcomes and on developing equipment and instrumentation for cataract, vitreoretinal, refractive and glaucoma surgeries, as well as new platforms for diagnostics and visualization. Our focus within the Vision Care business is on the research and development of new manufacturing platforms and novel contact lens materials, coatings and optical designs for various lens replacement schedules, with the ultimate goal of improving patient outcomes. In addition to our efforts to develop next-generation contact lens technologies, we are strengthening our ocular health portfolio with new products and novel technologies that safely provide relief from symptoms of eye disorders and disease, including dry eye, and ocular allergies.

## Marketing and Sales

Alcon conducts sales and marketing activities throughout the world. During the year ended December 31, 2022, 45% of our sales were in the US. We are present in every significant market in the world where ophthalmology and optometry are practiced, with operations in 60 countries supported by over 3,700 associates dedicated to direct sales and with products sold in over 140 countries.



Our global commercial capability is organized around sales and marketing organizations dedicated to our Surgical and Vision Care businesses and we customize these efforts to the medical practice needs of each customer. In addition to direct promotion of our products, our sales representatives provide customers with access to clinical education programs, data from clinical studies and technical service assistance. Our selling models also include focused efforts in key channels, including strategic accounts, key accounts and pharmacies.

In each of our markets, we rely on our strong relationships with ECPs to attract and retain customers. We engage healthcare professionals to serve as clinical consultants, to participate on advisory boards and to conduct presentations regarding our products. In addition, we have established or sponsor several long-standing programs that provide training and education to eye care professionals, including providing training support at over 70 state-of-the-art interactive training centers around the world. These facilities introduce ophthalmologists to our surgical equipment and cataract products through hands-on training in surgical techniques while exposing them to leading ophthalmologists.

In our Surgical business, our marketing efforts are supported by global advertising campaigns, claims from clinical registration and post-approval studies and by the participation of marketing and sales representatives in regional and global medical conferences. Technical service after the sale is provided using an integrated customer relationship management system in place in many markets. All of our technical service in the US, and a high percentage of that service outside the US, is provided by service technicians employed directly by Alcon. In countries where we do not have local operations or a scientific office, we use distributors to sell and handle the physical distribution of our products. Within our Surgical business, the practices of our marketing and sales representatives continue to change to meet emerging market trends, namely consolidation of providers, increasing pricing pressures, proliferation of smaller competitors, increasing demands for outcome evidence and a shift from relationship-based selling orientated toward physicians versus professional economic buyers focused on cost.

In our Vision Care business, we support our products with direct-to-consumer and ECP-oriented marketing campaigns, including advertising, promotions and other marketing materials, and with retailer-focused marketing and promotional materials. The fast-evolving landscape for our Vision Care business varies significantly by country. Three key trends in marketing and sales help drive the continuing evolution of our Vision Care business:

- Internet-based purchasing is increasing, as online players grow and the Internet plays a bigger role as a source of consumer information and a platform for price referencing;
- Channel consolidation is accelerating, as chains grow in size and vertically integrate; and
- Independent eye care professionals vary in influence, as many align more closely with retailers.

We see an opportunity to leverage digital technology to address pain points experienced by consumers and patients in existing paths to purchase. We also intend to continue investing and innovating in digital capabilities to develop new business models and practice implementation support in response to channel shifts and increases in direct-to-consumer influence.

While we market all of our products by calling on medical professionals, direct customers and distribution methods differ across our business lines. Surgical products are sold directly to hospitals and ambulatory surgical centers, although we sell through distributors in certain markets outside the US where we do not have local operations or a scientific office. In many countries, contact lenses are available only by prescription. Our contact lenses can be purchased from eye care professionals, optical chains and large retailers, subject to country regulation. Our ocular health products can be found in major drugstores, pharmacies, food stores and mass merchandising and optical retail chains globally, with access subject to country regulations, including free-sale, pharmacy-only and prescription regulations. No single customer accounted for more than 10% of our global sales in 2022.

## Manufacturing, Quality and Supplies

### Manufacturing

We generally organize our manufacturing facilities along product categories, with most plants being primarily dedicated to the manufacture of either our Surgical or Vision Care product offerings. As of December 2022, we employed approximately 4,100 people to manufacture surgical products at 10 facilities in the US, Belgium, Switzerland, Ireland, Germany and Israel and approximately 5,600 people to manufacture Vision Care products at nine facilities in the US, Germany, Singapore, Malaysia, Indonesia and Ireland. Our functional division of plants reflects the unique differences in regulatory requirements governing the production of surgical medical devices as well as the different technical skills required of associates in these manufacturing environments. Except for our manufacturing site in Athlone, Ireland, which was acquired in late 2022, all of our manufacturing plants are ISO 13485:2016 and ISO 14001:2015 certified. Currently, we manufacture approximately 90% of our products internally and rely on third-party manufacturers for a limited number of products.



The goal of our supply chain strategy is to efficiently produce and distribute high quality products. To that end, we employ cost-reduction programs, known as continuous improvement programs, involving activities such as cycle-time reductions, efficiency improvements, automation, plant consolidations and procurement savings programs as a means to reduce manufacturing and component costs. For example, in Vision Care, in an effort to reduce the cost per contact lens, we have implemented programs designed to reduce the time it takes to ramp to peak production levels for the newly installed manufacturing lines. To comply with good manufacturing practices and to improve the skills of our associates, we train our direct labor manufacturing staff throughout the year. Our professional associates are trained in various aspects of management, regulatory and technical issues through a combination of in-house seminars, local university classes and trade meetings.

The manufacture of our products is complex, involves advanced technology and is heavily regulated by governmental health authorities around the world. Risks inherent to the medical device and pharmaceutical industries are part of our operations. If we or our third-party manufacturers fail to comply fully with regulations, there could be a product recall or other shutdown or disruption of our production activities. We have implemented a global manufacturing strategy to maximize business continuity in case of such events or other unforeseen catastrophic events.

## Quality

Product quality and patient safety are vitally important for Alcon and our industry. Our customers and patients must always feel safe when using our products. Our Quality Management Systems group ("QMS") is responsible for establishing and maintaining a robust and compliant quality control system across Alcon. QMS regularly monitors industry trends, as well as global and regulatory changes, and adjusts our processes and procedures to adhere to current standards and best practices. In addition, our Quality Compliance group audits our internal processes and suppliers for compliance with approved processes and procedures.

## Supplies

The components used in certain of our Surgical products, such as viscoelastics, and our ocular health products, such as our products for dry eye and pharmaceuticals, are sourced from facilities that meet the regulatory requirements of applicable health regulatory authorities. Because of the proprietary nature and complexity of the production of these components, a number of them are only available from a single or limited number of health regulatory authority-approved sources. The majority of active chemicals, biological raw materials and selected inactive chemicals used in our products are acquired pursuant to long term supply contracts. When we rely upon a sole source or limited sources of supply for certain components, we try to maintain a sufficient inventory consistent with prudent practice and production lead-times and to take other steps necessary to ensure our continued supply. The prices of our raw materials are generally stable; however, we continue to monitor established indices for key raw materials and negotiate any price impact with the supplier.

## Human Capital Management

Alcon's culture is summarized in the Alcon Blueprint. The Alcon Blueprint includes Alcon's foundational principles and values and behaviors and serves as the bedrock for how we attract, develop and retain top talent. We seek diverse talent and perspectives that embody our values and contribute to our mission to help people to see brilliantly. Our talent acquisition process encompasses all facets of sourcing, attracting, assessing, selecting and onboarding of new associates. Alcon focuses on the care and growth of associates through learning and development, performance feedback, career progression and a focus on associate engagement – all while ensuring competitive compensation and benefits. Our Chief Human Resources Officer, working with the Global Heads of Talent Acquisition and Talent Management and Organization Development and Diversity and Inclusion develops systems and processes to support Alcon's ability to attract and retain the best talent and promote diversity and a culture of inclusion.

## Intellectual Property

We strive to protect our investment in the research, development, manufacturing and marketing of our products through the use of patents, trademarks, copyrights, trade secrets and other intellectual property. We own or have rights to a number of patents, trademarks, copyrights, trade secrets and other intellectual property directly related and important to our businesses. As of December 31, 2022, we owned or had rights to approximately 2,100 patent families.

We believe that our patents are important to our business but that no single patent, or group of related patents, currently is of material importance in relation to our business as a whole. Our strategy is to develop patent portfolios for our research and development projects in order to obtain market exclusivity for the innovative features of our products in our



major markets. The scope and duration of protection provided by a patent can vary significantly from country to country. However, even after the expiration of all patents covering a product, we may continue to derive commercial benefits from such product.

We routinely monitor the activities of our competitors and other third parties with respect to their use of our intellectual property. When appropriate, we will enforce our intellectual property rights to ensure that we are receiving the protections they afford us. Similarly, we will staunchly defend our right to develop and market products against unfounded claims of infringement by others. We will aggressively pursue or defend our position in the appropriate courts if the dispute cannot otherwise be promptly resolved.

In addition to our patents and pending patent applications in the US and selected non-US markets, we rely on proprietary know-how and trade secrets in our businesses and work to ensure the confidentiality of this information, including through the use of confidentiality agreements with associates and third parties. In some instances, we also acquire, or obtain licenses to, intellectual property rights that are important to our businesses from third parties.

All of our major products are sold under trademarks that we consider in the aggregate to be important to our businesses as a whole. We consider trademark protection to be particularly important in the protection of our investment in the sales and marketing of our vision care and contact lens and ocular health products. The scope and duration of trademark protection varies widely throughout the world.

We also rely on copyright protection in various jurisdictions to protect the software and printed materials our business relies upon, including software used in our surgical and diagnostic equipment. The scope and duration of copyright protection for these materials also varies widely throughout the world.

## Competition

The eye care industry is highly competitive and subject to rapid technological change and evolving industry requirements and standards. We compete with a number of different companies across our two business segments—Surgical and Vision Care. Companies within our industry compete on technological leadership and innovation, quality and efficacy of their products, relationships with eye care professionals and healthcare providers, breadth and depth of product offerings and pricing. The presence of these factors varies across our Surgical and Vision Care product offerings. Our principal competitors also sometimes form strategic alliances and enter into co-marketing agreements in an effort to better compete. We face strong local competitors in some markets, especially in developed markets, such as the US, Western Europe and Japan.

## Surgical

The surgical market is highly competitive. Superior technology and product performance give rise to category leadership in the surgical market. Service and long term relationships are also key factors in this competitive environment. Surgeons rely on the quality, convenience, value and efficiency of a product and the availability and quality of technical service. We primarily compete with Carl Zeiss Meditec AG, Bausch & Lomb Incorporated, Hoya Corporation, Glaukos Corporation and Johnson & Johnson in the surgical market.

We expect to compete against companies that offer alternative surgical treatment methodologies, including multifocal, tunable and accommodating AT-IOL approaches, and companies that promote alternative approaches for responding to the conditions our products address. At any time, our known competitors and other potential market entrants may develop new devices or treatment alternatives that may compete directly with our products. In addition, they may gain a market advantage by developing and patenting competitive products or processes earlier than we can or by obtaining regulatory approvals / clearances or market registrations more rapidly than we can.

We believe that the principal competitive factors in our surgical market include:

- disruptive product technology;
- alternative treatment modalities;
- breadth of product lines and product services;
- ability to identify new market trends;
- acceptance by ophthalmic surgeons;
- customer service and clinical support;
- regulatory status and speed to market;
- price;



- product quality, reliability and performance;
- capacity to recruit engineers, scientists and other qualified associates;
- digital initiatives that change business models;
- reimbursement approval from governmental payors and private healthcare insurance providers; and
- reputation for technical leadership.

Shifts in industry market share can occur in connection with product issues, physician advisories, safety alerts and publications about our products. In the current environment of managed care, with consolidation among healthcare providers, increased competition and declining reimbursement rates, there is also increasing pressure on price.

## Vision Care

The vision care market is also highly competitive, and our primary competitors are Johnson & Johnson, Bausch & Lomb Incorporated and The Cooper Companies, Inc. AbbVie, Inc. (Allergan) and Novartis AG are competitors in ocular health.

We believe our *DAILIES TOTAL1* provides the most advanced daily disposable SiHy contact lens with its advanced "water gradient" technology and *PRECISION1* provides a new mainstream daily disposable SiHy lens with aqueous extraction and surface treatment. While daily disposable contact lenses remain appealing to many lens wearers, approximately two-thirds of contact lens wearers globally choose reusable lenses. Despite this preference, innovation within the reusable lens segment has lagged behind daily disposable lenses over the past 10 years. *TOTAL30* is designed to change that by delivering a premium offering within the reusable space. We also compete with manufacturers of eyeglasses and with surgical procedures that correct visual defects. We believe that there are opportunities for contact lenses to attract new customers in the markets in which we operate, particularly in markets where the penetration of contact lenses in the vision correction market is low. Additionally, we compete with new market entrants with disruptive distribution models that could potentially innovate to challenge traditional models, including the eye care professional channel in which we have a significant presence. We also believe that laser vision correction is not a significant threat to our sales of contact lenses based on the growth of the contact lens market over the past decade and our involvement in the laser vision correction market through our Surgical business.

In ocular health, the market is characterized by competition for market share through the introduction of products that provide superior effectiveness and reduced burden for treating eye conditions. Recommendations from eye care professionals and customer brand loyalty, as well as our product quality and price, are key factors in maintaining market share in these products.

## Government Regulation

### Overview

Our businesses are subject to varying degrees of governmental regulation in the countries in which we operate, and the general trend is toward increasingly stringent regulation. In the US, the drug, device and dietary supplement industries have long been subject to regulation by various federal and state agencies, primarily as to product safety, efficacy, manufacturing, advertising, labeling and safety reporting. The exercise of broad regulatory powers by the FDA continues to result in increases in the amounts of testing and documentation required for the commercialization of regulated products and a corresponding increase in the expense of product introduction. Similar trends are also evident in the EU and in other markets throughout the world. In addition to market access regulation, our businesses are also subject to other forms of regulation, such as those relating to anti-bribery, data privacy and cybersecurity and trade regulation matters. We are also subject to regulations related to environmental and safety matters, which are discussed in greater detail in "Item 4.D. Property, Plants and Equipment—Environmental Matters".

### Product Approval and Monitoring

Most of our products are regulated as medical devices in the US and the EU. These jurisdictions each use a risk-based classification system to determine the type of information that must be provided to the local regulatory bodies in order to obtain the right to market a product. In the US, the FDA classifies devices into three classes: Class I (low risk), Class II (moderate risk) and Class III (high risk). Many of our devices are Class II or III devices that require premarket review by the FDA. The primary pathway for our Class II devices is FDA clearance of a premarket notification under section 510(k) of the FDCA. With a 510(k) submission, the manufacturer must submit a notification to the FDA that includes performance data that establish that the product is substantially equivalent to a "predicate device", which is typically another Class II previously-cleared device. Our Class III devices require FDA approval of a Premarket Approval application. With a



Premarket Approval application, the manufacturer must submit extensive supporting evidence, including clinical data, sufficient to demonstrate a reasonable assurance that the device is safe and effective for its intended use.

In the EU, CE marking is required for all medical devices sold. Prior to affixing the CE Mark, the manufacturer must demonstrate that their device conforms to the relevant essential requirements of the EU's Medical Device Directive through a conformity assessment procedure. The nature of the assessment depends upon the classification of the device. The method of assessing conformity varies depending on the type and classification of the product. For most Class I devices, the assessment is a self-certification process by the manufacturer. For all other devices, the conformity assessment procedure requires review by a "notified body", which is authorized or licensed to perform conformity assessments by national device regulatory authorities. The conformity assessment procedures require a technical review of the manufacturer's product and an assessment of relevant clinical data. Notified bodies may also perform audits of the manufacturer's quality system. If satisfied that the product conforms to the relevant essential requirements, the notified body issues a certificate of conformity, which the manufacturer uses as a basis for its own declaration of conformity and application of the CE mark.

The EU published a new Medical Device Regulation, or EU MDR, in 2017, which imposes significant additional requirements on medical device manufacturers, including with respect to clinical evaluation, labeling, technical documentation and quality management systems. Medical devices placed on the market in the EU after May 2021 require certification according to these new requirements, except those legacy devices with valid CE certificates, issued pursuant to the Medical Device Directives before May 2020, which can be placed on the market until those certificates expire, at the latest in May 2024, provided there are no significant changes in the design or intended purpose of the device. On February 16, 2023, the European Parliament officially endorsed the European Commission's proposal to extend the date of compliance out by three to four years depending on the class of medical device, which would extend the date of compliance from 2024 until 2027 or 2028, provided that the manufacturer of the legacy product has submitted a formal application for a conformity assessment by May 2024. This extension is intended to ensure that the various notified bodies have enough time to review legacy products for compliance with the new regulations. The additional requirements of the EU MDR legislation did not change; however the "sell off" date has been proposed to be removed. The proposed extension must still be approved by the Council of the European Union.

We also market products that are regulated in other product categories, including lasers, drug products, dietary supplements and medical foods. These products are also subject to extensive government regulation, which vary by jurisdiction. For example, in the US, our drug products must either be marketed in compliance with an applicable over-the-counter drug monograph or receive FDA approval of a New Drug Application. In the European Economic Area, our drug products must receive a marketing authorization from the competent regulatory authority before they may be placed on the market. There are various application procedures available, depending on the type of product involved.

Clinical trials may be required to support the marketing of our drug or device products. In the US, clinical trials must be conducted in accordance with FDA requirements, including informed consent from study participants, and review and approval by an institutional review board ("IRB"), among other requirements. Additionally, FDA authorization of an Investigational Device Exemption ("IDE") application must be obtained for studies involving significant risk devices prior to commencing the studies. In the EU, clinical trials usually require the approval of an ethics review board and the prior notification to, or authorization of the study from, the regulatory authority in each country in which the trial will be conducted.

Regulations of the FDA and other regulatory agencies in and outside the US impose extensive manufacturing requirements as well as postmarket compliance and monitoring obligations on our business. The manufacture of our device, drug and dietary supplement products is subject to extensive and complex good manufacturing practice and quality system requirements, which govern the methods used in, and the facilities and controls used for, the design, manufacture, packaging, storage, handling and servicing of our products. We are also subject to requirements for product labeling and advertising, sampling, recordkeeping, reporting of adverse experiences and other information to identify potential problems with our marketed products, as well as recalls and field actions. We are also subject to periodic inspections for compliance with these requirements. We expect this regulatory environment will continue to require significant technical expertise and capital investment to ensure compliance.

Medical device, drug and dietary supplement manufacturers are also subject to taxes, as well as application, product, user, establishment and other fees.

## Price Controls

The prices of our medical devices and drugs that require prescriptions or are reimbursed through payments to providers for services using our devices or drugs are subject to reimbursement programs and price control mechanisms that vary from country to country. Due to increasing political pressure and governmental budget constraints, we expect these programs and mechanisms to remain robust and to potentially even be strengthened or expanded. As a result, such



programs and mechanisms could have a negative influence on the prices we are able to charge for our products, particularly those used in cataract, vitreoretinal and glaucoma surgeries.

## Regulations Governing Reimbursement

In the US, patient access to our drug and device products that require a prescription or are included in provider service payments is determined in large part by the coverage and reimbursement policies of third-party health payors, including health insurers and government programs such as Medicare and Medicaid. Both government and commercial health insurers are increasingly focused on containing health care costs and have imposed, and are continuing to consider, additional measures that exert downward pressure on device and drug prices. For example, the US recently passed the Inflation Reduction Act, which makes significant changes to how drugs are covered and paid for under the Medicare program, including the creation of financial penalties for drugs whose prices rise faster than the rate of inflation, redesign of the Medicare Part D program to require manufacturers to bear more of the liability for certain drug benefits and the introduction of government price-setting for certain Medicare Part D drugs starting in 2026.

Outside the US, global trends toward cost-containment measures likewise may influence prices for our healthcare products in those countries. Adverse decisions relating to either coverage for our products or the amount of reimbursement for our products, could significantly reduce the demand for our products and the prices that our customers are willing to pay for them.

## Health Care Fraud and Abuse; Anti-Bribery

We are subject to health care fraud and abuse and anti-bribery laws and regulations in the US and around the world, including state and federal anti-kickback, anti-self-referral and false claims laws in the US. In addition, the FCPA is increasingly used to prosecute relationships between US companies and healthcare providers outside of the US. These laws are complex and subject to evolving interpretation by government agencies and courts. For example, in the US, relationships between manufacturers of products paid for by federal and state healthcare programs and healthcare professionals are regulated by a series of federal and state laws and regulations, such as the Federal Anti-Kickback Statute (and similar US state laws), that restrict the types of permissible financial relationships with referral sources. In the US, the False Claims Act permits private litigants to pursue lawsuits that can trigger government investigations and result in substantial financial fines and penalties to the defendant, as well as payment of significant financial rewards to the successful private litigants. As discussed in "Item 4.B. Business Overview—Marketing and Sales", we engage in marketing activities targeted at healthcare professionals, which include among others the provision of training programs. If one or more of these activities were found to be in violation of fraud and abuse laws, anti-bribery laws and regulations or any other law or governmental regulation, or there are changes to the interpretation of these laws, we could be subject to, among other things, civil and criminal penalties, damages, fines, exclusion from the Medicare and Medicaid programs and the curtailment or restructuring of our operations.

## Data Privacy and Cybersecurity

We are subject to certain privacy laws and regulations that continue to evolve, including Swiss privacy laws, the EU's General Data Protection Regulation and the California Consumer Privacy Act. For example, the EU General Data Protection Regulation contains enhanced financial penalties for noncompliance. Similarly, the US Department of Health and Human Services has issued rules governing the use, disclosure and security of protected health information, and the FDA has issued further guidance concerning cybersecurity for medical devices.

In addition, certain countries have issued or are considering data localization laws, which limit companies' ability to transfer protected data across country borders. Failure to comply with data privacy and cybersecurity laws and regulations can result in enforcement actions, including civil or criminal penalties.

## Trade Regulation

The movement of products, services and investment across borders subject us to extensive trade regulations. A variety of laws and regulations in the countries in which we transact business apply to the sale, shipment and provision of goods, services and technology across borders. These laws and regulations govern, among other things, our import, export and other business activities. We are also subject to the risk that these laws and regulations could change in a way that would expose us to additional costs, penalties or liabilities. Some governments also impose economic sanctions against certain countries, persons or entities.

In addition to our need to comply with such regulations in connection with our direct activities, we also sell and provide goods, technology and services to agents, representatives and distributors who may export such items to customers and



end-users. Failure by us or the third parties through which we do business to comply with applicable import, export control or economic sanctions laws and regulations may subject us to civil or criminal enforcement action and varying degrees of liability.

## 4.C. ORGANIZATIONAL STRUCTURE

### Organizational Structure

See "Item 4.B. Business Overview" for additional information.

### Significant Subsidiaries

See "Item 6.C. Board Practice" for additional information.

## 4.D. PROPERTY, PLANTS AND EQUIPMENT

Our corporate headquarters is located in Geneva, Switzerland. The principal office for our Swiss and international operations, which is also our registered office, is located in Fribourg, Switzerland, and the principal office for our US operations is located in Fort Worth, Texas.

We believe that our current manufacturing and production facilities have adequate capacity for our medium-term needs. To ensure that we have sufficient manufacturing capacity to meet future production needs, we regularly review the capacity and utilization of our manufacturing facilities. The FDA and other regulatory agencies regulate the approval for use of manufacturing facilities for medical devices, and compliance with these regulations requires a substantial amount of validation time prior to start-up and approval. Accordingly, it is important to our business that we ensure we have sufficient manufacturing capacity to meet our future production needs.

### Major Facilities

The following table sets forth our most significant production and research and development facilities:

Location	Size of Site (in m <sup>2</sup> )	Major Activity
Fort Worth, Texas	315,200	Production, research and development for Surgical and Vision Care businesses
Grosswallstadt, Germany	104,000	Production, research and development for Vision Care business
Johns Creek, Georgia	84,825	Production, research and development for Vision Care business
Singapore	69,000	Production for Vision Care business
Johor, Malaysia	43,900	Production for Vision Care business
Irvine, California	40,800	Production, research and development for Surgical business
Houston, Texas	37,400	Production for Surgical business
Batam, Indonesia	35,000	Production for Vision Care business
Huntington, West Virginia	32,980	Production for Surgical business
Sinking Spring, Pennsylvania	21,800	Production for Surgical business
Cork, Ireland	13,600	Production for Surgical business
Erlangen/Pressath/Teltow, Germany	10,700	Production, research and development for Vision Care business
Puurs, Belgium	8,000	Production for Surgical business
Durham, North Carolina	4,200	Research and development for Vision Care business
Schaffhausen, Switzerland	4,100	Production for Surgical business
Athlone, Ireland	3,410	Production for Vision Care business



In August 2021, we launched an expansion project of our Grosswallstadt, Germany facility to add three additional contact lens production lines for an anticipated cost of \$162 million. Through December 31, 2022, the total amount paid and committed was approximately \$137 million. We expect to complete the project by mid-2024.

In April 2021, we launched a further expansion of our Singapore facility to add four additional production lines for contact lenses. We expect to incur costs of \$188 million. Through December 31, 2022, the total amount paid and committed was approximately \$181 million. We approved a further expansion in late 2021 to add three additional production lines and a new building for an expected cost of \$280.1 million. Through December 31, 2022, the total amount paid and committed for this additional expansion was approximately \$157 million. We expect to complete the entire project by late 2025.

In September 2019, we launched an expansion of our Johns Creek, Georgia facility to add four production lines for contact lenses. This project is ongoing and was expanded in 2020. We expect to pay a total amount of approximately \$245 million on this project. Through December 31, 2022, the total amount paid and committed was approximately \$243 million. In 2021, we launched an additional expansion to add two more production lines for contact lenses for \$148 million. Through December 31, 2022, the total amount paid and committed was approximately \$114 million. We expect to complete the project by mid-2024. Also, in late 2021, we approved an additional expansion to add one more production line for contact lenses. This additional expansion is expected to cost approximately \$73.2 million and be completed by mid-2024. Through December 31, 2022, the total amount paid and committed was approximately \$46 million.

We funded each of the projects discussed above from working capital.

## Environmental Matters

At Alcon, we believe that excellent environmental performance enables us to achieve our purpose of helping people see brilliantly. We integrate core values of environmental protection into our business strategy to protect the environment, to add value to the business, manage risk and enhance our reputation.

We are committed to reducing the environmental impact of our operations, products and services. We strive to minimize waste and emissions, reuse and recycle materials and conserve natural resources, such as energy and water, across our value chain.

We are subject to laws and regulations concerning the environment, safety matters and regulation of chemicals in the countries where we manufacture and sell our products or otherwise operate our business. As a result, we have established internal policies and standards that aid our operations in systematically identifying relevant hazards, assessing and mitigating risks and communicating risk information. These internal policies and standards are in place to ensure our operations comply with relevant environmental, health and safety laws and regulations and that periodic audits of our operations are conducted. The potential risks we identify are integrated into our business planning, including investments in reducing safety and health risks to our associates and reducing our impact on the environment. We have also dedicated resources to monitor legislative and regulatory developments and emerging issues to anticipate future requirements and undertake policy advocacy when strategically relevant.

Each year, we publish on our website a Corporate Responsibility Report that provides additional details regarding our environmental sustainability strategy and highlights the steps we plan to undertake.

## ITEM 4A. UNRESOLVED STAFF COMMENTS

None.



# ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

## 5.A. OPERATING RESULTS

This operating and financial review should be read together with the section captioned "Item 4. Information on the Company—4.B. Business Overview" and our Consolidated Financial Statements and the related notes to those financial statements included elsewhere in this Annual Report. Among other things, those financial statements include more detailed information regarding the basis of preparation for the following information. This discussion contains forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under "Item 3. Key Information —3.D. Risk Factors" and elsewhere in this Annual Report, Alcon's actual results may differ materially from those anticipated in these forward-looking statements. Please see "Special Note About Forward-Looking Statements" in this Annual Report. "Item 5. Operating and Financial Review and Prospects", together with "Item 4.B. Business Overview" and "Item 6.D. Employees", constitute the Operating and Financial Review ("Rapport annuel"), as defined by the Swiss Code of Obligations.

### Overview

Alcon researches, develops, manufactures, distributes and sells a full suite of eye care products within two segments: Surgical and Vision Care. The Surgical segment is focused on ophthalmic products for cataract surgery, vitreoretinal surgery, refractive laser surgery and glaucoma surgery, and includes implantables, consumables and surgical equipment required for these procedures. The Vision Care segment comprises daily disposable, reusable and color-enhancing contact lenses and a comprehensive portfolio of ocular health products, including products for dry eye, glaucoma, contact lens care and ocular allergies, as well as ocular vitamins and redness relievers.

We are dedicated to providing innovative products that enhance quality of life by helping people see better. Our strong foundation is based on our longstanding success as a trusted brand, our legacy of industry firsts and advancements, our leading positions in the markets in which we compete and our continued commitment to substantial investment in innovation. With more than 75 years of history in the ophthalmic industry, we believe the Alcon brand name is synonymous with innovation, quality, service and leadership among eye care professionals worldwide. We employ over 25,000 associates from more than 100 nationalities, operating in 60 countries and serving consumers and patients in over 140 countries.

In 2022, Alcon's net sales to third parties amounted to \$8.7 billion. The United States accounted for \$3.9 billion, or 45%, of total net sales, Japan accounted for \$0.6 billion, or 7%, of total net sales, China accounted for \$0.5 billion or 5%, of total net sales, Switzerland accounted for \$59 million, or 1%, of total net sales, and the rest of the world accounted for the remaining \$3.7 billion of total net sales.

### Basis of preparation

The Consolidated Financial Statements included elsewhere in this Annual Report, which present our financial position, results of operations, comprehensive income/(loss), and cash flows have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The preparation of the Consolidated Financial Statements requires management to make certain estimates and assumptions, either at the balance sheet date or during the year, that affect the reported amounts of assets and liabilities as well as revenues and expenses. Actual outcomes and results could differ from those estimates and assumptions.

For further information on the basis of preparation of the Consolidated Financial Statements, see Note 2 to the Consolidated Financial Statements included elsewhere in this Annual Report.

### Items you should consider when evaluating our Consolidated Financial Statements

#### War on Ukraine

In February 2022, as a result of the war on Ukraine by Russia, economic sanctions and export controls were imposed by much of the world on Russian financial institutions and businesses. These sanctions could adversely impact net sales, create disruptions in the global supply chain, increase the risk of cyber attacks, and potentially have an adverse impact on the global economy, financial markets, energy markets, currency rates and otherwise. As a result of the global impacts, we have experienced volatility in currency translation effects. Our manufacturing and procurement exposure in Russia and



Ukraine is limited as our operations consist mainly of associates in local functions, including sales and customer support. Refer to "Item 3. Key Information—3.D. Risk Factors" - *Changing economic and financial environments in many countries and increasing global political and social instability may adversely impact our business* included elsewhere in this Annual Report.

For the years ended December 31, 2022 and 2021, net sales in Russia and Ukraine amounted to approximately 2% of consolidated net sales. Total assets in Russia and Ukraine amounted to \$83 million as of December 31, 2022. As of December 31, 2022, operations previously impacted by the war on Ukraine continued operating to the extent practicable and permitted by law.

## COVID-19

Outbreaks of COVID-19 cases continued to occur in 2022 and localized responses remain unpredictable, notably in China. The COVID-19 pandemic may 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.

## Net sales trends

Sales in 2022 grew over the prior year period reflecting continuing recovery from COVID-19. However, uncertainty remains on a market by market basis, and we believe we will likely continue to see some lingering impacts from COVID-19. In addition, Russia's war on Ukraine and resulting global response could have an adverse impact on our business for the foreseeable future.

## Supply chain continuity and inflation

We have experienced inflationary pressures in electronic components, freight, labor, resins and plastics, which we continue to manage but have impacted operating margin in 2022 despite price increases and productivity initiatives. We have also encountered supply chain challenges in certain components including microchips, resins and plastics, metals and filters. 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. We expect these inflationary pressures and supply chain challenges to continue into 2023.

## Estimation uncertainty

The preparation of Consolidated Financial Statements requires management to make certain estimates and assumptions, either at the balance sheet date or during the year that affect the reported amounts of assets and liabilities as well as revenues and expenses. In particular, the Consolidated Financial Statements for the year ended December 31, 2022 required the use of significant estimates and assumptions pertaining to the past and potential impacts of the adverse effects of the war on Ukraine, economic sanctions and export controls on Russia and continuing impacts of COVID-19 on Alcon's operations, results and liquidity. Actual outcomes and results could differ materially from our estimates and assumptions. For example, we could be impacted by extended or new economic sanctions and export controls on Russia, extended or new COVID-19 related shut-down periods, ongoing supply chain disruptions, labor shortages, 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. See Note 2 to the Consolidated Financial Statements included elsewhere in this Annual Report and in the "Critical accounting policies and estimates" section within this Item 5.A.

## Segment description

Alcon has two identified reportable segments: Surgical and Vision Care. Both segments are supported by Research and Development and Manufacturing and Technical Operations, whose results are incorporated into the respective segment contribution. Segment contribution excludes amortization and impairment charges for acquired product rights or other intangibles, general and administrative expenses for corporate activities, separation costs, transformation costs, fair value adjustments to contingent consideration liabilities, past service costs primarily for post-employment benefit plan amendments, acquisition and integration related costs and certain other income and expense items. See Note 4 to the Consolidated Financial Statements included elsewhere in this Annual Report.

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. Alcon also provides services, training, education and technical support for the Surgical business. In 2022, the Surgical segment accounted for \$5.0 billion, or 58%, of Alcon net sales to third parties, and contributed \$1.3 billion, or 69%, of Alcon operating income (excluding unallocated income and expenses).



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, glaucoma, contact lens care and ocular allergies, as well as ocular vitamins and redness relievers. Alcon also provides services, training, education and technical support for the Vision Care business. In 2022, the Vision Care segment accounted for \$3.6 billion, or 42%, of Alcon net sales to third parties, and contributed \$600 million, or 31%, of Alcon operating income (excluding unallocated income and expenses).

## Opportunity and risk summary

The surgical and vision care markets in which Alcon operates are large, dynamic and growing. As the world population grows and ages, the need for quality eye care is expanding and evolving. In addition, although it is estimated that 90% of all visual impairments are currently preventable, treatable or curable, we operate in markets that have substantial unmet medical and consumer needs. Our surgical and vision care products are targeted at addressing many of these unmet medical and consumer needs through products that are used in treating multiple ocular health conditions and offer leading eye care solutions for patients throughout their lives.

The surgical market in which we operate includes sales of implantables, consumables and surgical equipment, including associated technical, clinical and service support and training, and is projected to grow mid-single digits per year from 2022 to 2027. Growth drivers in the surgical market include: global growth of cataract and vitreoretinal procedures, driven by an aging population; increased access to care; higher uptake of premium patient-pay technologies; increased adoption of advanced technologies; and eye disease as a comorbidity linked to the global prevalence of diabetes.

The vision care market in which we operate is comprised of products designed for ocular care and consumer use, and is projected to grow mid-single digits per year from 2022 to 2027. Growth drivers in the vision care market include: better contact lens material, improved health and comfort and enhanced visual acuity; a significant population of approximately 194 million undiagnosed dry eye patients, with an additional 42 million self-diagnosed dry eye patients using unsuitable products for treatment; growing access and consumption of vision care products in emerging markets; and increasing consumer access through the expansion of distribution models.

In each of our markets, we rely on our strong relationships with eye care professionals and consumers to attract and retain customers and expand the market. We believe we have made one of the largest commitments to research and development in the eye care market, which we expect to continue through internal innovation investments and identifying and executing on attractive acquisition, licensing and collaboration opportunities.

Alcon's future expectations are subject to various risks and uncertainties, including market dynamics in the surgical and vision care markets, general economic conditions, the effects of the ongoing COVID-19 pandemic and the pace of innovation in our industry, as well as successfully achieving our growth strategies and efficiency initiatives. These expectations were, in the view of management, prepared on a reasonable basis, reflect the best currently available estimates and judgments and present, to the best of management's knowledge and belief, the expected future financial performance of Alcon. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and you are cautioned not to place undue reliance on the prospective financial information. There will likely be differences between Alcon expectations and the actual results and those differences could be material. Alcon's expectations may not be achieved and we do not undertake any obligation to release publicly the results of any future revisions we may make to our expectations. When considering Alcon's expectations, you should keep in mind the risk factors and other cautionary statements in "Item 3. Key Information—3.D Risk Factors" and "Special Note About Forward-Looking Statements" in this Annual Report.

Our financial results are affected to varying degrees by internal and external factors. For example, because of our heavy dependence on information technology systems, cybersecurity breaches or other disruptions of our information technology systems or our inability to comply with data privacy, identity protection or information security laws would significantly impact our business. Given the three-year Deferred Prosecution Agreement we entered into with the US DoJ, our compliance with anti-corruption laws is of heightened significance to our business. Litigation risk, including intellectual property and product liability lawsuits, and government investigations are additional risks our business faces.

The effect of a disruption in our global supply chain or important facilities, supply constraints, or an increase in the cost of energy would further impact our business. We also may be adversely affected by our inability to accurately forecast demand and manage our inventory levels and the changing buying patterns by our large distributor and retail customers. If we overestimate demand and produce too much of a particular product, we face a risk of inventory obsolescence. In addition, for certain materials, components and services, we rely on sole or limited sources of supply. Our customer relations could be negatively impacted by the loss of our significant suppliers or the inability of any such supplier to meet certain specifications or delivery schedules.

Further, our ability to manage environmental, social and governance matters to the satisfaction of our many stakeholders, some of which may have competing interests, may impact our results of operations. While we make significant efforts to



enhance the diversity of our workforce, we may be unable to attract and retain qualified personnel. Our reliance on outsourcing key business functions adds additional risk.

Moreover, our ability to grow depends on the commercial success of our products and our ability to maintain our position in the highly competitive markets in which we operate. Our ability to grow also depends on the success of our research and development efforts and BD&L activities in bringing new products to market, as well as the commercial acceptance of our products. We have incurred debt, in part to fund acquisitions including the acquisition of Aerie, that we must continue to service, and we may need additional financing in debt or equity.

Even if we protect our intellectual property to the fullest extent permitted by applicable law, competitors may market products that compete with our products. Increased pricing pressure in the healthcare industry in general as well as industry consolidation could also impact our ability to generate returns and invest for the future. Additionally, our products are subject to competition from lower priced versions of our products, and our industry continues to be challenged by the vulnerability of distribution channels to counterfeiting. Product recalls or voluntary market withdrawals in connection with defects or unanticipated use of our products could also have a material adverse effect upon our business.

Further, we have developed strong relationships with numerous healthcare providers and rely on them to recommend our products to their patients and to other members of their organizations. Consumers in the eye health industry have a tendency not to switch products regularly and are repeat consumers, meaning that a physician's initial recommendation of our products, and a consumer's initial choice to use our products, have an impact on the success of our products. Therefore, it is important to our business and results of operations to retain and grow these relationships.

Given our global presence, our operations and business results are also influenced and affected by the global economic and financial environment, including unpredictable political conditions and tax laws in various parts of the world. Additionally, a portion of our operations are conducted in emerging markets and are subject to risks and potential costs such as economic, political and social uncertainty, as well as relatively low average income levels and limited government reimbursement for the cost of healthcare products and services. Our operations and business results are also affected by the varying degrees of governmental regulation in the countries in which we operate, making the process of developing new products and obtaining necessary regulatory marketing authorization lengthy, expensive and uncertain. The manufacture of our products is also highly regulated. Any changes or new requirements related to the regulatory approval process or postmarket requirements applicable to our products in any jurisdiction for which compliance could be costly and onerous. Finally, if any of our accounting estimates are inaccurate then our financial results would be adversely impacted.

For more details on these trends and how they could impact our results, see "Item 3. Key Information—3.D. Risk Factors".

## Components of results of operations

### Net sales to third parties

Revenue on the sale of Alcon products and services, which is recorded as "Net sales to third parties" in the Consolidated Income Statement, is recognized when a contractual promise to a customer (i.e., a performance obligation) has been fulfilled by transferring control over the promised goods and services to the customer, substantially all of which is at the point in time of shipment to or receipt of the products by the customer or when the services are performed. If contracts contain customer acceptance provisions, revenue would be recognized upon the satisfaction of acceptance criteria. The amount of revenue to be recognized is based on the consideration Alcon expects to receive in exchange for its goods and services, which may be fixed or variable. Variable consideration may include rebates, discounts including cash discounts, chargebacks, estimated payments for Medicare Part D prescription drug program coverage gap, patient co-pay program coupon utilization and sales returns. Variable consideration is only recognized when it is highly probable that a significant reversal of cumulative sales will not occur.

Surgical equipment may be sold together with other products and services under a single contract. The total consideration is allocated to the separate performance obligations based on the relative standalone selling price for each performance obligation. Revenue is recognized upon satisfaction of each performance obligation under the contract.

### Other revenues

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



## Inventories

Inventory is valued at the lower of acquisition or production cost determined on a first-in, first-out basis and net realizable value. This value is used for the "Cost of net sales" and "Cost of other revenues" in the Consolidated Income Statement. Unsalable inventory is fully written off in the Consolidated Income Statement under "Cost of net sales" and "Cost of other revenues".

## Research & development

Internal research and development costs are fully charged to "Research & development" in the Consolidated Income Statement in the period in which they are incurred. Alcon considers that regulatory and other uncertainties inherent in the development of new products preclude the capitalization of internal development expenses as an intangible asset until marketing approval from a regulatory authority is obtained in relevant major markets, such as the United States, the European Union, Switzerland, China or Japan.

## Critical accounting policies and estimates

Selected accounting policies are set out in Note 2 to the Consolidated Financial Statements included elsewhere in this Annual Report, which are prepared in accordance with IFRS as issued by the IASB.

Given the uncertainties inherent in our business activities, we must make certain estimates and assumptions that require difficult, subjective and complex judgments. Because of uncertainties inherent in such judgments, actual outcomes and results may differ from our assumptions and estimates, which could materially affect our Consolidated Financial Statements. 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 the war on Ukraine, economic sanctions and export controls on Russia and the COVID-19 pandemic using information reasonably available to us at this time. The inherent uncertainties of the continuation of the war on Ukraine, COVID-19 or other items may result in actual outcomes that differ materially from our current assumptions and estimates.

Application of the following accounting policies requires certain assumptions and estimates that have the potential for the most significant impact on the Consolidated Financial Statements.

## Impairment of goodwill and intangible assets

We review long-lived intangible assets for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Goodwill, the Alcon brand name and intangible assets not yet ready for use are not amortized but are reviewed for impairment at least annually. Our annual impairment testing date is Alcon's year-end, December 31.

A cash generating unit to which goodwill has been allocated (reportable segments) is considered impaired when its carrying amount, including the goodwill, exceeds its recoverable amount, which is defined as the higher of its fair value less costs of disposal and its value in use. If the recoverable amount of the reportable segment is less than its carrying amount, an impairment loss shall be recognized.

An intangible asset other than goodwill is considered impaired when its balance sheet carrying amount exceeds its estimated recoverable amount, which is defined as the higher of its fair value less costs of disposal and its value in use. Usually, Alcon applies the fair value less costs of disposal method for its impairment assessment. In most cases, no direct or indirect observable market prices for identical or similar assets are available to measure the fair value less costs of disposal. Therefore, an estimate of fair value less costs of disposal is based on net present value techniques utilizing post-tax cash flows and discount rates. In the limited cases where the value in use method would be applied, net present value techniques would be applied using pre-tax cash flows and discount rates.



Fair value less costs of disposal reflects estimates of assumptions that market participants would be expected to use when pricing the asset or cash generating units, and for this purpose management considers the range of economic conditions that are expected to exist over the remaining useful life of the asset. The estimates used in calculating net present values involve significant judgment by management and include assumptions with measurement uncertainty, such as the following:

- Amount and timing of projected cash flows;
- Long-term sales forecasts for up to 25 years including sales growth rates;
- Timing and probability of regulatory and commercial success;
- Royalty rate for the Alcon brand name;
- Terminal growth rate; and
- Discount rate.

Generally, for intangible assets with a definite useful life Alcon uses cash flow projections for the whole useful life of these assets. For goodwill and the Alcon brand name, Alcon generally utilizes cash flow projections for a five-year period based on management forecasts, with a terminal value based on cash flow projections considering the long-term expected growth rates and impact of demographic trends of the population to which Alcon products are prescribed, for later periods. Probability-weighted scenarios are typically used.

Discount rates used consider Alcon estimated weighted average cost of capital adjusted for specific country and currency risks associated with cash flow projections to approximate the weighted average cost of capital of a comparable market participant.

Due to the above factors and those further described in the "Opportunity and risk summary" section above, actual cash flows and values could vary significantly from forecasted future cash flows and related values derived using net present value techniques.

For additional information on intangible assets and impairment charges recognized, see Note 9 to the Consolidated Financial Statements included elsewhere in this Annual Report.

Goodwill and other intangible assets represent a significant part of our Consolidated Balance Sheet, primarily due to acquisitions. Although no significant additional impairments are currently anticipated, impairment evaluation could lead to material impairment charges in the future.

## 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. 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 estimating the fair value of identifiable assets acquired when allocating the purchase consideration paid for the acquisition. The estimates of the fair values involve significant judgment by management and include assumptions with measurement uncertainty, such as the following:

- Amount and timing of projected cash flows;
- Long-term sales forecasts;
- Timing and probability of regulatory and commercial success; and
- Discount rate.

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.



## Contingent consideration

In a business combination, it is often necessary to recognize contingent future payments to previous owners, representing contractually defined potential amounts as a liability. Usually for Alcon these are linked to development or commercial milestones related to certain assets and are recognized as a financial liability at their fair value, which is then re-measured at each subsequent reporting date.

For the determination of the fair value of contingent consideration, various unobservable inputs are used. A change in these inputs might result in a significantly higher or lower fair value measurement. The inputs used are, among others, the timing and probability of regulatory and commercial success, sales forecast and assumptions regarding the discount rate, timing and different scenarios of triggering events. The significance and usage of these inputs to each contingent consideration may vary due to differences in the timing and triggering events for payments or in the nature of the asset related to the contingent consideration. These estimations typically depend on factors such as technical milestones or market performance and are adjusted for the probability of their likelihood of payment, and if material, are appropriately discounted to reflect the impact of time.

Changes in the fair value of contingent consideration liabilities in subsequent periods are recognized in the Consolidated Income Statement in "Cost of net sales" for currently marketed products and in "Research & development" for in-process research & development.

The effect of unwinding the discount over time is recognized in "Interest expense" in the Consolidated Income Statement.

Alcon accounts for variable or contingent consideration associated with asset acquisitions using the cost accumulation model. At the date of the asset acquisition, the intangible asset is initially recognized at the amount paid. Variable payments are subsequently capitalized as part of the cost of the asset when paid, on the basis that such payments represent the direct cost of acquisition.

## Taxes

The estimated amounts for current and deferred tax assets or liabilities, including any amounts related to any uncertain tax positions, are based on currently known facts and circumstances. Tax returns are based on an interpretation of tax laws and regulations and reflect estimates based on these judgments and interpretations. The tax returns are subject to examination by the competent taxing authorities which may result in an assessment being made requiring payments of additional tax, interest or penalties. Inherent uncertainties exist in the estimates of the tax positions.

## Research & development

Internal research & development costs are fully charged to "Research & development" in the Consolidated Income Statement in the period in which they are incurred. Alcon considers that regulatory and other uncertainties inherent in the development of new products preclude the capitalization of internal development expenses as an intangible asset until marketing approval from the regulatory authority is obtained in a relevant major market, such as the United States, the European Union, Switzerland, China or Japan.

## Factors affecting comparability of period to period results of operations

The comparability of the period to period results of our operations can be significantly affected by the COVID-19 pandemic, the issuance and repayment of financial debts and acquisitions. Our net sales, operating results and cash flows in 2022, 2021 and 2020 were affected by COVID-19. The transactions of significance during 2022 included the acquisition of Aerie Pharmaceuticals, Inc., the acquisition of Ivantis, Inc. ("Ivantis"), and the acquisition of *Eysuvis* and *Inveltys* products. Additionally, in 2022 we issued senior notes due in 2028, 2032 and 2052, and repaid the Facility B and C term loans. In 2021, we acquired the US commercialization rights of *Simbrinza*. In 2020, one transaction of significance was the issuance of senior notes due in 2030. Refer to Note 3 to the Consolidated Financial Statements for details related to each of these significant transactions.



## Results of operations

In evaluating our performance, we consider not only the IFRS results, but also certain non-IFRS measures, including various "core" results and constant currency ("cc") results. These measures assist us in evaluating our ongoing performance from period to period and we believe this additional information is useful to investors in understanding the performance of our business. Refer to "Item 5.A. Operating Results—Supplementary Information—Definitions and Reconciliations of Non-IFRS Measures" section for additional information and reconciliation tables. These measures are not intended to be substitutes for the equivalent measures of financial performance prepared in accordance with IFRS and may differ from similarly titled non-IFRS measures of other companies.

### Key figures

(\$ millions unless indicated otherwise)	2022 compared to 2021				2021 compared to 2020		
	2022	2021	Change %		2020	Change %	
			\$	cc <sup>(1)</sup>		\$	cc <sup>(1)</sup>
Net sales to third parties	8,654	8,222	5	11	6,763	22	20
Gross profit	4,748	4,652	2	10	2,940	58	56
Operating income/(loss)	672	580	16	59	(482)	nm	nm
<i>Operating margin (%)</i>	7.8	7.1			(7.1)		
<b>Net income/(loss)</b>	<b>335</b>	<b>376</b>	<b>(11)</b>	<b>37</b>	<b>(531)</b>	<b>nm</b>	<b>nm</b>
Basic earnings/(loss) per share (\$)	0.68	0.77	(12)	36	(1.09)	nm	nm
Diluted earnings/(loss) per share (\$)	0.68	0.76	(11)	37	(1.09)	nm	nm

### Core results<sup>(1)</sup>

Core operating income	1,571	1,443	9	26	789	83	78
<i>Core operating margin (%)</i>	18.2	17.6			11.7		
<b>Core net income</b>	<b>1,108</b>	<b>1,063</b>	<b>4</b>	<b>23</b>	<b>512</b>	<b>108</b>	<b>102</b>
Core basic earnings per share (\$)	2.25	2.17	4	23	1.05	107	101
Core diluted earnings per share (\$)	2.24	2.15	4	23	1.04	107	101

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 "Item 5.A. Operating Results—Supplementary Information—Definitions and Reconciliations of Non-IFRS Measures" section for additional information and reconciliation tables.



Commentary for the year ended December 31, 2021 compared to 2020 may be found in Item 5 of the Company's Annual Report on Form 20-F filed with the Securities and Exchange Commission ("SEC") on February 15, 2022 ("2021 Form 20-F").

## Net sales by segment

(\$ millions unless indicated otherwise)	2022 compared to 2021				2021 compared to 2020		
	2022	2021	Change %		2020	Change %	
			\$	cc <sup>(1)</sup>		\$	cc <sup>(1)</sup>
<b>Surgical</b>							
Implantables	1,725	1,522	13	20	1,126	35	34
Consumables	2,499	2,388	5	10	1,952	22	21
Equipment/other	821	793	4	10	632	25	24
<b>Total Surgical</b>	<b>5,045</b>	<b>4,703</b>	<b>7</b>	<b>13</b>	<b>3,710</b>	<b>27</b>	<b>25</b>
<b>Vision Care</b>							
Contact lenses	2,192	2,139	2	9	1,838	16	15
Ocular health	1,417	1,380	3	7	1,215	14	12
<b>Total Vision Care</b>	<b>3,609</b>	<b>3,519</b>	<b>3</b>	<b>8</b>	<b>3,053</b>	<b>15</b>	<b>14</b>
<b>Net sales to third parties</b>	<b>8,654</b>	<b>8,222</b>	<b>5</b>	<b>11</b>	<b>6,763</b>	<b>22</b>	<b>20</b>

(1) Constant currencies is a non-IFRS measure. Refer to "Item 5.A. Operating Results—Supplementary Information—Definitions and Reconciliations of Non-IFRS Measures" section for additional information.

### Surgical

Surgical net sales were \$5.0 billion, an increase of 7%, primarily driven by product innovation, market improvements across most geographies reflecting continuing recovery from the COVID-19 pandemic, and sales of the *Hydrus* Microstent. Growth was partially offset by unfavorable currency impacts of 6%. Surgical net sales increased 13% in constant currencies.

- Implantables net sales were \$1.7 billion, an increase of 13%, reflecting improving market conditions, increased demand for the portfolio of advanced technology intraocular lenses, led by *Vivity*, and sales of the *Hydrus* Microstent, partially offset by unfavorable currency impacts of 7%. Implantables net sales increased 20% in constant currencies.
- Consumables net sales were \$2.5 billion, an increase of 5%, primarily driven by higher procedure volumes due to improving market conditions, partially offset by unfavorable currency impacts of 5%. Consumables net sales increased 10% in constant currencies.
- Equipment/other net sales were \$821 million, an increase of 4%, primarily driven by demand in international markets for cataract equipment and service, partially offset by declines in refractive equipment and unfavorable currency impacts of 6%. Equipment/other net sales increased 10% in constant currencies.

### Vision Care

Vision Care net sales were \$3.6 billion, an increase of 3%, with product innovation and market improvements across geographies reflecting continuing recovery from the COVID-19 pandemic, partially offset by unfavorable currency impacts of 5%. Ocular health net sales also benefited from sales of ophthalmic pharmaceutical products following acquisitions, including Aerie in November 2022. Vision Care net sales increased 8% in constant currencies.

- Contact lenses net sales were \$2.2 billion, an increase of 2%, driven by silicone hydrogel contact lenses, including the *Precision1* and *Total* families of products, as well as price increases. This growth was partially offset by declines in legacy lenses and unfavorable currency impacts of 7%. Contact lenses net sales increased 9% in constant currencies.
- Ocular health net sales were \$1.4 billion, an increase of 3%, primarily driven by the portfolio of eye drops, including recently acquired ophthalmic pharmaceutical products and *Systane*. This growth was significantly offset by unfavorable currency impacts of 4% and supply chain challenges, primarily in contact lens care. Ocular health net sales increased 7% in constant currencies.



## Operating income/(loss)

(\$ millions unless indicated otherwise)	2022 compared to 2021				2021 compared to 2020		
	2022	2021	Change %		2020	Change %	
			\$	cc <sup>(1)</sup>		\$	cc <sup>(1)</sup>
<b>Gross profit</b>	<b>4,748</b>	<b>4,652</b>	<b>2</b>	<b>10</b>	<b>2,940</b>	<b>58</b>	<b>56</b>
Selling, general & administration	(3,068)	(3,076)	—	(4)	(2,694)	(14)	(13)
Research & development	(702)	(842)	17	15	(673)	(25)	(25)
Other income	36	43	(16)	(15)	235	(82)	(82)
Other expense	(342)	(197)	(74)	(75)	(290)	32	33
<b>Operating income/(loss)</b>	<b>672</b>	<b>580</b>	<b>16</b>	<b>59</b>	<b>(482)</b>	<b>nm</b>	<b>nm</b>
<i>Operating margin (%)</i>	<i>7.8</i>	<i>7.1</i>			<i>(7.1)</i>		
<b>Core results<sup>(1)</sup></b>							
Core gross profit	5,381	5,216	3	11	4,092	27	26
Core operating income	1,571	1,443	9	26	789	83	78
<i>Core operating margin (%)</i>	<i>18.2</i>	<i>17.6</i>			<i>11.7</i>		

nm = not meaningful

(1) Core results and constant currencies are non-IFRS measures. Refer to "Item 5.A. Operating Results—Supplementary Information—Definitions and Reconciliations of Non-IFRS Measures" section for additional information and reconciliation tables.

Operating income was \$672 million (+16%, +59% cc), compared to \$580 million in the prior year period. Operating margin increased 0.7 percentage points, with improved operating leverage from higher sales, lower intangible asset impairments and favorability from incentive compensation, partially offset by increased inflationary impacts, increased transformation costs, increased legal items, acquisition and integration related expenses, higher amortization for intangible assets due to recent acquisitions and a negative 2.3 percentage point impact from currency. Operating margin increased 3.0 percentage points on a constant currencies basis.

Adjustments to arrive at core operating income in the current year were \$899 million, mainly due to \$588 million of amortization, \$62 million in impairments of intangible assets, \$119 million of transformation costs, \$90 million of legal settlement costs and \$64 million of acquisition and integration related expenses. Adjustments to arrive at core operating income in the prior year period were \$863 million, mainly due to \$529 million of amortization, \$225 million in impairments of intangible assets, \$68 million of transformation costs, an increase of \$50 million in legal items and \$36 million of separation costs, partially offset by a \$42 million benefit from fair value adjustments to contingent liabilities.

Core operating income was \$1.6 billion (+9%, +26% cc), compared to \$1.4 billion in the prior year period. Core operating margin increased 0.6 percentage points, with improved operating leverage from higher sales and favorability from incentive compensation, partially offset by increased inflationary impacts and a negative 1.8 percentage point impact from currency. Core operating margin increased 2.4 percentage points on a constant currencies basis.



## Segment contribution

For additional information regarding segment contribution, please refer to Note 4 to the Consolidated Financial Statements.

(\$ millions unless indicated otherwise)	2022 compared to 2021				2021 compared to 2020		
	2022	2021	Change %		2020	Change %	
			\$	cc <sup>(1)</sup>		\$	cc <sup>(1)</sup>
Surgical segment contribution	1,336	1,184	13	26	672	76	72
<i>As % of net sales</i>	26.5	25.2			18.1		
Vision Care segment contribution	600	604	(1)	15	419	44	41
<i>As % of net sales</i>	16.6	17.2			13.7		
Not allocated to segments	(1,264)	(1,208)	(5)	(5)	(1,573)	23	23
<b>Operating income/(loss)</b>	<b>672</b>	<b>580</b>	<b>16</b>	<b>59</b>	<b>(482)</b>	<b>nm</b>	<b>nm</b>
Core adjustments <sup>(1)</sup>	899	863			1,271		
<b>Core operating income<sup>(1)</sup></b>	<b>1,571</b>	<b>1,443</b>	<b>9</b>	<b>26</b>	<b>789</b>	<b>83</b>	<b>78</b>

nm = not meaningful

(1) Core results and constant currencies are non-IFRS measures. Refer to "Item 5.A. Operating Results—Supplementary Information—Definitions and Reconciliations of Non-IFRS Measures" section for additional information and reconciliation tables.

### Surgical

Surgical segment contribution was \$1.3 billion (+13%, +26% cc), compared to \$1.2 billion in the prior year period. Segment contribution margin increased 1.3 percentage points, with improved operating leverage from higher sales and favorability from incentive compensation, partially offset by increased inflationary impacts and a negative 1.6 percentage point impact from currency. Segment contribution margin increased 2.9 percentage points on a constant currencies basis.

### Vision Care

Vision Care segment contribution was \$600 million (-1%, +15% cc), compared to \$604 million in the prior year period. Segment contribution margin decreased 0.6 percentage points, including a negative 1.8 percentage point impact from currency. Segment contribution margin increased 1.2 percentage points on a constant currencies basis. Underlying improvements in operating leverage from higher sales and favorability from incentive compensation were partially offset by unfavorable product mix from launches of new silicone hydrogel daily contact lenses, increased inflationary impacts and supply chain challenges.

### Not allocated to segments

Operating loss not allocated to segments totaled \$1.3 billion (-5%, -5% cc), compared to \$1.2 billion in the prior year period, primarily driven by higher amortization for intangible assets due to recent acquisitions, increased transformation costs, acquisition and integration related expenses and increased legal items, partially offset by lower intangible asset impairments.



## Non-operating income & expense

(\$ millions unless indicated otherwise)	2022 compared to 2021				2021 compared to 2020		
			Change %				Change %
	2022	2021	\$	cc <sup>(1)</sup>	2020	\$	cc <sup>(1)</sup>
<b>Operating income/(loss)</b>	<b>672</b>	<b>580</b>	<b>16</b>	<b>59</b>	<b>(482)</b>	<b>nm</b>	<b>nm</b>
Interest expense	(134)	(120)	(12)	(13)	(124)	3	3
Other financial income & expense	(75)	(42)	(79)	(80)	(29)	(45)	(41)
<b>Income/(loss) before taxes</b>	<b>463</b>	<b>418</b>	<b>11</b>	<b>70</b>	<b>(635)</b>	<b>nm</b>	<b>nm</b>
Taxes	(128)	(42)	nm	nm	104	nm	nm
<b>Net income/(loss)</b>	<b>335</b>	<b>376</b>	<b>(11)</b>	<b>37</b>	<b>(531)</b>	<b>nm</b>	<b>nm</b>
Basic earnings/(loss) per share (\$)	0.68	0.77	(12)	36	(1.09)	nm	nm
Diluted earnings/(loss) per share (\$)	0.68	0.76	(11)	37	(1.09)	nm	nm
<b>Core results<sup>(1)</sup></b>							
Core taxes	(254)	(218)	(17)	(38)	(124)	(76)	(72)
<b>Core net income</b>	<b>1,108</b>	<b>1,063</b>	<b>4</b>	<b>23</b>	<b>512</b>	<b>108</b>	<b>102</b>
Core basic earnings per share (\$)	2.25	2.17	4	23	1.05	107	101
Core diluted earnings per share (\$)	2.24	2.15	4	23	1.04	107	101

nm = not meaningful

(1) Core results and constant currencies are non-IFRS measures. Refer to "Item 5.A. Operating Results—Supplementary Information—Definitions and Reconciliations of Non-IFRS Measures" section for additional information and reconciliation tables.

### Interest expense

Interest expense was \$134 million, compared to \$120 million in the prior year period. The current year period had increased financial debts following funding of the Aerie acquisition in November 2022 and less favorable interest rates.

### Other financial income & expense

Other financial income & expense was a net expense of \$75 million, compared to \$42 million in the prior year period. The increase was primarily driven by foreign currency exchange losses, losses from hyperinflationary accounting, hedging costs and losses for the write-off of unamortized debt issuance costs, partially offset by interest income.

### Taxes

Tax expense was \$128 million, compared to \$42 million in the prior year period. The average tax rate was 27.6% compared to 10.0% in the prior year period, primarily driven by the recognition of tax expense for an Advanced Pricing Agreement between Swiss and US tax authorities related to fiscal years 2019 through 2022 (the "2022 APA"), partially offset by discrete tax items favorably impacting the current year, including an agreement for deductibility of a statutory expense for Switzerland federal tax related to fiscal year 2021. It is uncertain whether Alcon will obtain a similar benefit for the deductibility of these statutory expenses in Switzerland in future years.

Adjustments to arrive at core tax expense in the current year period were \$126 million for the tax effect associated with operating income core adjustments, partially offset by discrete tax impacts of the 2022 APA for the fiscal years 2019 through 2021. Adjustments to arrive at core tax expense in the prior year period were \$176 million for the tax effect associated with operating income core adjustments.

Core tax expense was \$254 million, compared to \$218 million in the prior year period. The average core tax rate was 18.6% compared to 17.0% in the prior year period, primarily due to the 2022 APA related to fiscal year 2022, partially offset by discrete tax benefits, including an agreement for deductibility of a statutory expense for Switzerland federal tax related to fiscal year 2021 and other discrete tax items.



## Net income and earnings per share

Net income was \$335 million, compared to \$376 million in the prior year period, primarily due to higher interest, other financial expense and tax expense, partially offset by higher operating income. In addition, the current year reflects unfavorable currency impacts. The associated basic and diluted earnings per share were \$0.68, compared to basic and diluted earnings per share of \$0.77 and \$0.76, respectively, in the prior year period.

Core net income was \$1.1 billion, compared to \$1.1 billion in the prior year period, primarily due to higher core operating income, partially offset by higher interest, other financial expense and core tax expenses. In addition, the current year reflects unfavorable currency impacts. The associated core basic and diluted earnings per share were \$2.25 and \$2.24, respectively, compared to \$2.17 and \$2.15, respectively, in the prior year period.

## Effects of currency fluctuations

We prepare our Consolidated Financial Statements in US dollars. As a result, fluctuations in the exchange rates between the US dollar and other currencies can have a significant effect on our results of operations as well as on the reported value of our assets, liabilities and cash flows. This in turn may significantly affect reported earnings (both positively and negatively) and the comparability of period-to-period results of operations.

For purposes of our Consolidated Balance Sheet, we translate assets and liabilities denominated in other currencies into US dollars at the prevailing market exchange rates as of the relevant balance sheet date. For purposes of our Consolidated Income Statement and statement of cash flows, revenue, expense and cash flow items in local currencies are translated into US dollars at average exchange rates prevailing during the relevant period. As a result, even if the amounts or values of these items remain unchanged in the respective local currency, changes in exchange rates have an impact on the amounts or values of these items in our Consolidated Financial Statements.

Alcon manages its global currency exposure by engaging in hedging transactions where management deems appropriate as described in "Item 5.B. Liquidity and Capital Resources". The impact of ongoing macroeconomic conditions is currently unknown and could have a material adverse effect on our results of operations, cash flows or financial condition.

There is also a risk that certain countries could devalue their currency. If this occurs, then it could impact the effective prices we would be able to charge for our products and also have an adverse impact on both our Consolidated Income Statement and Consolidated Balance Sheet. Alcon is exposed to a potential adverse devaluation risk on its intercompany funding and total investment in certain subsidiaries operating in countries with exchange controls.

The hyperinflationary economies in which we operate are Argentina, Turkey and Venezuela. Argentina and Venezuela were hyperinflationary for all years presented. Turkey became hyperinflationary effective April 1, 2022, requiring retroactive implementation from January 1, 2022 of hyperinflationary accounting. Refer to Note 2 to the Consolidated Financial Statements included elsewhere in this Annual Report for additional information.



## Foreign exchange rates for foreign currency translation

The following tables set forth the foreign exchange rates of the US dollar against key currencies used for foreign currency translation when preparing the Consolidated Financial Statements:

(\$ per unit unless indicated otherwise)	Average for year			As of December 31		
	2022	2021	Change %	2022	2021	Change %
AUD	0.693	0.752	(8)	0.678	0.726	(7)
BRL	0.194	0.186	4	0.189	0.180	5
CAD	0.768	0.798	(4)	0.738	0.785	(6)
CHF	1.047	1.094	(4)	1.081	1.093	(1)
CNY	0.149	0.155	(4)	0.144	0.157	(8)
EUR	1.051	1.183	(11)	1.065	1.130	(6)
GBP	1.232	1.376	(10)	1.207	1.351	(11)
INR (100)	1.272	1.353	(6)	1.208	1.347	(10)
JPY (100)	0.760	0.912	(17)	0.757	0.868	(13)
RUB (100)	1.432	1.358	5	1.380	1.336	3
KRW (1,000)	0.774	0.874	(11)	0.793	0.840	(6)

(\$ per unit unless indicated otherwise)	Average for year			As of December 31		
	2021	2020	Change %	2021	2020	Change %
AUD	0.752	0.690	9	0.726	0.771	(6)
BRL	0.186	0.196	(5)	0.180	0.193	(7)
CAD	0.798	0.746	7	0.785	0.784	—
CHF	1.094	1.066	3	1.093	1.135	(4)
CNY	0.155	0.145	7	0.157	0.153	3
EUR	1.183	1.141	4	1.130	1.229	(8)
GBP	1.376	1.284	7	1.351	1.365	(1)
INR (100)	1.353	1.350	—	1.347	1.369	(2)
JPY (100)	0.912	0.937	(3)	0.868	0.970	(11)
RUB (100)	1.358	1.390	(2)	1.336	1.337	—
KRW (1,000)	0.874	0.849	3	0.840	0.920	(9)



The following table shows information concerning the rate of exchange of US dollar per Swiss franc based on exchange rate information found on Bloomberg Market System. The exchange rate in effect on February 21, 2023 as found on Bloomberg Market System was CHF 1.00 = USD 1.08.

(\$ per CHF)	Low <sup>(1)</sup>	High <sup>(1)</sup>
January 2022	1.07	1.08
February 2022	1.08	1.09
March 2022	1.08	1.09
April 2022	1.03	1.03
May 2022	1.04	1.05
June 2022	1.04	1.05
July 2022	1.04	1.05
August 2022	1.02	1.03
September 2022	1.01	1.03
October 2022	1.00	1.00
November 2022	1.05	1.06
December 2022	1.08	1.09
January 2023	1.08	1.09
February 2023 (through February 21, 2023)	1.08	1.08

(1) Represents the lowest and highest, respectively, of the exchange rates on the last day of each month during the year.

## Currency impact on key figures

The following table provides a summary of the currency impact on key company figures due to their conversion into US dollars, Alcon's reporting currency, of the financial data from entities reporting in non-US dollars.

	2022 compared to 2021			2021 compared to 2020		
	Change %		Percentage point currency impact	Change %		Percentage point currency impact
	\$	cc <sup>(1)</sup>		\$	cc <sup>(1)</sup>	
Net sales to third parties	5	11	(6)	22	20	2
Gross profit	2	10	(8)	58	56	2
Operating income/(loss)	16	59	(43)	nm	nm	nm
<b>Net income/(loss)</b>	<b>(11)</b>	<b>37</b>	<b>(48)</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>
Basic earnings/(loss) per share (\$)	(12)	36	(48)	nm	nm	nm
Diluted earnings/(loss) per share (\$)	(11)	37	(48)	nm	nm	nm

### Core results<sup>(1)</sup>

Core operating income	9	26	(17)	83	78	5
Core net income	4	23	(19)	108	102	6
Core basic earnings per share (\$)	4	23	(19)	107	101	6
Core diluted earnings per share (\$)	4	23	(19)	107	101	6

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 "Item 5.A. Operating Results—Supplementary Information—Definitions and Reconciliations of Non-IFRS Measures" section for additional information.

A 1% movement in the USD versus our basket of currencies would have resulted in a \$46 million change in annual net sales and a \$20 million change in both annual operating income and core operating income.



# 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 (debt)/liquidity.

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, 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:

- 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 historical comparative period and comparing them to the values from the historical comparative period in US dollars.



For additional information on the effects of foreign currencies, refer to "Item 5.A. Operating Results-Effects of currency fluctuations" section.

## EBITDA

Alcon defines earnings before interest, tax, depreciation and amortization ("EBITDA") as net income/(loss) 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 (debt)/liquidity to monitor leverage associated with financial debts. For a reconciliation of EBITDA to the most directly comparable measure presented in accordance with IFRS, see "Item 5.B. Liquidity and Capital Resources—EBITDA (non-IFRS measure)" section.

## 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. For a reconciliation of free cash flow to the most directly comparable measure presented in accordance with IFRS, see "Item 5.B. Liquidity and Capital Resources—Free cash flow (non-IFRS measure)" section.

## Net (debt)/liquidity

Alcon defines net (debt)/liquidity as current and non-current financial debt less cash and cash equivalents, current investments and derivative financial instruments. Net (debt)/liquidity 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. For a reconciliation of net (debt)/liquidity to the most directly comparable measure presented in accordance with IFRS, see "Item 5.B. Liquidity and Capital Resources—Net (debt)/liquidity (non-IFRS measure)" section.

## 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

2022

(\$ millions except earnings per share)	IFRS results	Amortization of certain intangible assets <sup>(1)</sup>	Impairments <sup>(2)</sup>	Transformation costs <sup>(4)</sup>	Legal items <sup>(6)</sup>	Other items <sup>(7)</sup>	Core results
<b>Gross profit</b>	<b>4,748</b>	<b>572</b>	<b>59</b>	<b>—</b>	<b>—</b>	<b>2</b>	<b>5,381</b>
<b>Operating income</b>	<b>672</b>	<b>588</b>	<b>62</b>	<b>119</b>	<b>90</b>	<b>40</b>	<b>1,571</b>
<b>Income before taxes</b>	<b>463</b>	<b>588</b>	<b>62</b>	<b>119</b>	<b>90</b>	<b>40</b>	<b>1,362</b>
Taxes <sup>(8)</sup>	(128)	(99)	(14)	(20)	(22)	29	(254)
<b>Net income</b>	<b>335</b>	<b>489</b>	<b>48</b>	<b>99</b>	<b>68</b>	<b>69</b>	<b>1,108</b>
Basic earnings per share (\$)	0.68						2.25
Diluted earnings per share (\$)	0.68						2.24
Basic - weighted average shares outstanding (millions) <sup>(9)</sup>	491.4						491.4
Diluted - weighted average shares outstanding (millions) <sup>(9)</sup>	494.4						494.4

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

2021

(\$ millions except earnings per share)	IFRS results	Amortization of certain intangible assets <sup>(1)</sup>	Impairments <sup>(2)</sup>	Separation costs <sup>(3)</sup>	Transformation costs <sup>(4)</sup>	Post-employment benefits <sup>(5)</sup>	Legal items <sup>(6)</sup>	Other items <sup>(7)</sup>	Core results
<b>Gross profit</b>	<b>4,652</b>	<b>520</b>	<b>45</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1)</b>	<b>5,216</b>
<b>Operating income</b>	<b>580</b>	<b>529</b>	<b>225</b>	<b>36</b>	<b>68</b>	<b>(16)</b>	<b>50</b>	<b>(29)</b>	<b>1,443</b>
<b>Income before taxes</b>	<b>418</b>	<b>529</b>	<b>225</b>	<b>36</b>	<b>68</b>	<b>(16)</b>	<b>50</b>	<b>(29)</b>	<b>1,281</b>
Taxes <sup>(8)</sup>	(42)	(95)	(51)	(6)	(13)	2	(12)	(1)	(218)
<b>Net income</b>	<b>376</b>	<b>434</b>	<b>174</b>	<b>30</b>	<b>55</b>	<b>(14)</b>	<b>38</b>	<b>(30)</b>	<b>1,063</b>
Basic earnings per share (\$)	0.77								2.17
Diluted earnings per share (\$)	0.76								2.15
Basic - weighted average shares outstanding (millions) <sup>(9)</sup>	490.0								490.0
Diluted - weighted average shares outstanding (millions) <sup>(9)</sup>	493.4								493.4

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 (continued)

2020

(\$ millions except (loss)/earnings per share)	IFRS results	Amortization of certain intangible assets <sup>(1)</sup>	Impairments <sup>(2)</sup>	Separation costs <sup>(3)</sup>	Transformation costs <sup>(4)</sup>	Post-employment benefits <sup>(5)</sup>	Other items <sup>(7)</sup>	Core results
<b>Gross profit</b>	<b>2,940</b>	<b>1,001</b>	<b>106</b>	<b>13</b>	<b>—</b>	<b>—</b>	<b>32</b>	<b>4,092</b>
<b>Operating (loss)/income</b>	<b>(482)</b>	<b>1,021</b>	<b>167</b>	<b>217</b>	<b>49</b>	<b>(154)</b>	<b>(29)</b>	<b>789</b>
<b>(Loss)/income before taxes</b>	<b>(635)</b>	<b>1,021</b>	<b>167</b>	<b>217</b>	<b>49</b>	<b>(154)</b>	<b>(29)</b>	<b>636</b>
Taxes <sup>(8)</sup>	104	(172)	(34)	(37)	(10)	38	(13)	(124)
<b>Net (loss)/income</b>	<b>(531)</b>	<b>849</b>	<b>133</b>	<b>180</b>	<b>39</b>	<b>(116)</b>	<b>(42)</b>	<b>512</b>
Basic (loss)/earnings per share (\$)	(1.09)							1.05
Diluted (loss)/earnings per share (\$)	(1.09)							1.04
Basic - weighted average shares outstanding (millions) <sup>(9)</sup>	489.0							489.0
Diluted - weighted average shares outstanding (millions) <sup>(9)</sup>	489.0							491.8

### 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, primarily related to IT and third party consulting fees, following completion of the Spin-off.
- (4) Transformation costs, primarily related to restructuring and third party consulting fees, for the multi-year transformation program.
- (5) Includes impacts from pension and other post-employment benefit plan amendments.
- (6) For 2022, includes legal settlement costs.

For 2021, includes an increase in provisions for legal matters.

- (7) For 2022, Gross profit includes the amortization of inventory fair value adjustments related to recent acquisitions, partially offset by fair value adjustments to contingent consideration liabilities. Operating income also includes acquisition and integration related expenses, partially offset by fair value adjustments to contingent consideration liabilities and fair value adjustments of financial assets.

For 2021, Gross profit includes fair value adjustments to contingent consideration liabilities. Operating income also includes fair value adjustments to contingent consideration liabilities, partially offset by the amortization of option rights and fair value adjustments of financial assets.

For 2020, Gross profit primarily includes losses on disposal of property, plant & equipment, partially offset by fair value adjustments to contingent consideration liabilities. Operating income also includes fair value adjustments to contingent consideration liabilities, a gain relating to an extinguishment of certain potential liabilities under the employee matters agreement executed at Spin-off and fair value adjustments of financial assets, partially offset by the amortization of option rights.

- (8) For 2022, total tax adjustments of \$126 million include tax associated with operating income core adjustments, partially offset by discrete tax items. Tax associated with operating income core adjustments of \$899 million totaled \$166 million with an average tax rate of 18.5%. Core tax adjustments for discrete tax items totaled \$40 million, primarily related to the recognition of an Advanced Pricing Agreement between US and Switzerland tax authorities for fiscal years 2019 through 2021.

For 2021, total tax adjustments of \$176 million include tax associated with operating income core adjustments of \$863 million with an average tax rate of 20.4%.

For 2020, total tax adjustments of \$228 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$1.3 billion totaled \$221 million with an average tax rate of 17.4%. Core tax adjustments for discrete items totaled \$7 million.

- (9) 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 7 to the Consolidated Financial Statements.



## 5.B. LIQUIDITY AND CAPITAL RESOURCES

Our sources of funds have consisted principally of cash flows from operations, issuance of senior notes, bank debt and credit facilities with lenders. Our uses of those funds (other than for operations) have consisted principally of dividend payments, investments in capital expenditures, cash paid for acquisitions and associated expenses and other obligations.

We believe that we have adequate liquidity to meet our needs. At December 31, 2022, we had cash and cash equivalents of \$1.0 billion, compared to \$1.6 billion at December 31, 2021. At December 31, 2022, we had current financial debt of \$107 million, compared to \$114 million at December 31, 2021, consisting of bank and other financial debt. At December 31, 2022, we had non-current financial debt of \$4.5 billion, compared to \$4.0 billion at December 31, 2021, consisting of senior notes.

To date, all of our sales are generated by our subsidiaries and not directly by us. Thus, we are dependent on dividends, other payments or loans from our subsidiaries to meet our liquidity needs. Some of our subsidiaries may be subject to legal requirements of their respective jurisdictions of organization that may restrict their paying dividends or other payments, or making loans, to us.

Potential future uses of our liquidity include capital expenditures, acquisitions, debt repayments, dividend payments and other general corporate purposes. As of December 31, 2022, we had commitments for purchases of property, plant & equipment of \$248 million. In addition, on February 12, 2023 we announced the settlement of legal proceedings with JJSVI related to femtosecond laser assisted cataract surgery devices. As part of the resolution of this matter, we will make a one-time payment to JJSVI of \$199 million. Refer to Note 18 to the Consolidated Financial Statements for additional information.

We use the US Dollar as our reporting currency and are therefore exposed to foreign currency exchange movements, primarily in Euros, Japanese Yen, Chinese Renminbi, Canadian Dollars, Korean Won, Swiss Francs, Russian Rubles and emerging market currencies. The foreign currency exposure on the balance sheet is hedged with limited exception, but the impact of ongoing macroeconomic conditions is currently unknown and could have a material adverse effect on our results of operations, cash flows or financial condition. As of December 31, 2022 unsettled derivative positions included \$8 million in unrealized gains and \$10 million in unrealized losses.

All comments in this section relate to the year ended December 31, 2022 compared to 2021. Commentary for the year ended December 31, 2021 compared to 2020 may be found in Item 5 of the 2021 Form 20-F.

### Cash flow and net (debt)/liquidity

(\$ millions)	2022	2021
Net cash flows from operating activities	1,217	1,345
Net cash flows used in investing activities	(1,865)	(1,198)
Net cash flows used in financing activities	(8)	(123)
Effect of exchange rate changes on cash and cash equivalents	61	(6)
<b>Net change in cash and cash equivalents</b>	<b>(595)</b>	<b>18</b>
Change in derivative financial instrument assets	5	—
Change in equity securities of public companies	(3)	3
Change in current and non-current financial debts	(568)	38
<b>Change in net (debt)</b>	<b>(1,161)</b>	<b>59</b>
Net (debt) at January 1	(2,499)	(2,558)
<b>Net (debt) at December 31</b>	<b>(3,660)</b>	<b>(2,499)</b>

### Net cash flows from operating activities

Net cash flows from operating activities amounted to \$1.2 billion in 2022, compared to \$1.3 billion in the prior year period. The current year includes increased cash outflows from changes in net working capital, the negative impact of foreign currency rates on operating results and a \$20 million legal settlement payment. Both periods were impacted by tax payments and semi-annual interest payments.



Changes in net working capital in the current year include increases in inventories and trade receivables, the net change in other operating assets and other operating liabilities and decreases in trade payables. The increase in inventories was primarily driven by new product launches and higher raw materials and work in process at manufacturing sites to mitigate uncertainty caused by longer supply lead times. The increase in trade receivables was primarily driven by new receivables from higher sales outpacing collections. The net change in other operating assets was primarily driven by increases in long-term receivables and prepaid expenses. The net change in other operating liabilities was primarily driven by higher annual associate short-term incentive payments in 2022, which generally occur in the first quarter, payment of acquisition and integration costs related to Aerie and lower wage accruals due to the timing of payroll, partially offset by accruals for deductions from revenue. Trade payables decreased as the prior year payables reflected increased discretionary spending in line with market recovery.

Changes in net working capital in the prior year period were mainly driven by increases in inventories and trade receivables, partially offset by the net change in other operating liabilities and increases in trade payables. The increase in inventories was primarily associated with new product launches as well as to meet expected upcoming demand and to support supply chain continuity. The increase in trade receivables was primarily driven by new receivables from higher sales outpacing collections. The net change in other operating liabilities was primarily related to accruals for associate short-term incentive benefits and revenue deductions, partially offset by payments for Value Added Tax ("VAT") and other payables. The increase in trade payables was primarily driven by increased discretionary spending. Refer to Note 20 of the Consolidated Financial Statements for additional details regarding changes within net working capital in the current and prior year periods.

## Net cash flows used in investing activities

Net cash flows used in investing activities amounted to \$1.9 billion in 2022, compared to \$1.2 billion in the prior year period. Cash outflows in the current year period are primarily due to the acquisitions of Aerie, Ivantis, and *Eysuvis* and *Inveltys* products, capital expenditures and purchases of long-term financial investments measured at fair value through other comprehensive income, partially offset by the sale of short-term investments obtained in the Aerie acquisition.

Cash outflows in the prior year period were primarily due to the acquisition of exclusive US commercialization rights to *Simbrinza* and capital expenditures, including for new contact lens manufacturing lines. Refer to Note 3 of the Consolidated Financial Statements for additional information on the acquisitions of Aerie, Ivantis, *Eysuvis* and *Inveltys* products and *Simbrinza* US commercialization rights.

## Net cash flows used in financing activities

Net cash flows used in financing activities amounted to \$8 million in 2022, compared to \$123 million in the prior year period. Cash outflows in the current year period primarily include dividends paid to shareholders of Alcon Inc., lease payments, withholding taxes paid upon net settlements of equity-based compensation and payments made upon settlement of derivative contracts, partially offset by net cash inflows associated with financial debts. Net cash inflows associated with financial debts primarily included the issuance of Series 2028, Series 2032 and Series 2052 senior notes, issuance and repayment of the 2022 Bridge Loan Facility associated with the Aerie acquisition, repayment of the Facility B and Facility C term loans, payment of financial debts assumed in the Aerie acquisition and payments of certain local debt facilities.

Cash outflows in the prior year period primarily included lease payments, dividends paid, payment of certain local debt facilities and withholding taxes paid upon net settlements of equity-based compensation, partially offset by net proceeds from refinancing of local debt facilities in Japan. Refer to Notes 3, 16 and 20 of the Consolidated Financial Statements for additional information.

## Free cash flow (non-IFRS measure)

The following is a summary of free cash flow for 2022, 2021 and 2020, together with a reconciliation to net cash flows from operating activities, the most directly comparable IFRS measure.

(\$ millions)	2022	2021	2020
<b>Net cash flows from operating activities</b>	<b>1,217</b>	<b>1,345</b>	<b>823</b>
Purchase of property, plant & equipment	(636)	(700)	(479)
Proceeds from sale of property, plant & equipment	—	—	6
<b>Free cash flow</b>	<b>581</b>	<b>645</b>	<b>350</b>



Free cash flow amounted to an inflow of \$581 million in 2022, compared to an inflow of \$645 million in the prior year period, driven primarily by decreased cash flow from operating activities, partially offset by decreased purchases of property, plant and equipment.

For additional information refer to Item 5.A. Operating Results—Supplementary Information—Definitions and Reconciliations of Non-IFRS Measures".

## Balance sheet

### Assets

Total non-current assets were \$24.0 billion as of December 31, 2022, an increase of \$1.4 billion when compared to \$22.6 billion as of December 31, 2021. Intangible assets other than goodwill increased \$924 million primarily due to the acquisitions of Aerie, Ivantis, and Eysuvis and Inveltys products, partially offset by recurring amortization and asset impairments. Property, plant, and equipment increased \$314 million primarily due to capital expenditures and the acquisition of Aerie, partially offset by depreciation and foreign currency translation effects. Financial assets increased \$70 million primarily driven by purchases of long-term financial investments measured at fair value through other comprehensive income and unrealized gains on financial investments measured at fair value through profit and loss. Goodwill increased \$65 million due to the acquisition of Aerie.

Total current assets were \$5.2 billion as of December 31, 2022, a decrease of \$193 million when compared to \$5.4 billion as of December 31, 2021. Cash and cash equivalents decreased \$595 million due to the net impact of operating, investing and financing activities as described in the preceding section. Inventories increased \$210 million primarily driven by new product launches, higher raw materials and work in process at manufacturing sites to mitigate uncertainty caused by longer supply lead times and the acquisition of Aerie, partially offset by foreign currency translation effects. Trade receivables increased \$177 million primarily driven by higher sales outpacing collections and the acquisition of Aerie, partially offset by foreign currency translation effects.

Closely monitored countries include Greece, Italy, Portugal, Spain, Brazil, Russia, Turkey, Saudi Arabia and Argentina. The majority of the outstanding trade receivables from Greece, Italy, Spain, Saudi Arabia and Argentina are due directly from local governments or from government-funded entities. We evaluate trade receivables in these countries for potential collection risk. Should there be a substantial deterioration in our economic exposure with respect to those countries, we may increase our level of provisions by updating our expected loss provision or may change the terms of trade on which we operate.

The gross trade receivables from these countries at December 31, 2022 amounted to \$280 million (\$252 million at December 31, 2021), of which \$8 million are past due for more than one year (\$10 million at December 31, 2021) and for which provisions of \$10 million have been recorded (\$11 million at December 31, 2021). At December 31, 2022, amounts past due for more than one year are not significant in any of these countries.

The following table summarizes the aging of trade receivables as of December 31, 2022 and 2021:

(\$ millions)	2022	2021
Not overdue	1,390	1,273
Past due for not more than one month	125	96
Past due for more than one month but less than three months	93	74
Past due for more than three months but less than six months	56	43
Past due for more than six months but less than one year	28	23
Past due for more than one year	38	42
Provisions for doubtful trade receivables	(57)	(55)
<b>Total trade receivables, net</b>	<b>1,673</b>	<b>1,496</b>

There is also a risk that certain countries could devalue their currency. Currency exposures are described in more detail in the "Item 5.A. Operating Results — Effects of currency fluctuations" section.



## Liabilities

Total non-current liabilities were \$6.8 billion as of December 31, 2022, an increase of \$479 million when compared to \$6.3 billion as of December 31, 2021. Financial debts increased \$575 million due to the net proceeds from debt issuances and repayments in 2022, partially offset by the movement of balances to current financial debt and foreign currency translation effects. Refer to Note 16 of the Consolidated Financial Statements for details regarding financial debt issuances and repayments in 2022. Deferred tax liabilities increased \$38 million primarily due to the acquisition of Aerie. Provisions and other non-current liabilities decreased \$154 million primarily related to reductions in pensions and post-employment benefit obligations due to actuarial gains recognized for increases in discount rates, partially offset by liabilities assumed in the acquisition of Aerie.

Total current liabilities were \$2.8 billion as of December 31, 2022, an increase of \$310 million when compared to \$2.5 billion as of December 31, 2021. Provisions and other current liabilities increased \$323 million primarily due to accruals for legal items, liabilities assumed in the acquisition of Aerie, increased restructuring provisions and increased accruals for deductions from revenue, partially offset by foreign currency translation effects, lower accruals for incentive compensation and lower wage accruals due to the timing of payroll. Current income tax liabilities increased \$32 million primarily due to the acquisition of Aerie, partially offset by payments. Trade payables decreased \$42 million primarily due to foreign currency translation effects and higher trade payables in prior year reflecting increased discretionary spending.

## Equity

Equity was \$19.7 billion as of December 31, 2022, an increase of \$421 million when compared to \$19.3 billion as of December 31, 2021.

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

The following is a summary of net (debt) as of December 31, 2022 and December 31, 2021, together with a reconciliation to total financial debt, the most directly comparable IFRS measure.

(\$ millions)	2022	2021
Current financial debt	(107)	(114)
Non-current financial debt	(4,541)	(3,966)
<b>Total financial debt</b>	<b>(4,648)</b>	<b>(4,080)</b>
<b>Less liquidity:</b>		
Cash and cash equivalents	980	1,575
Equity securities of public companies	—	3
Derivative financial instruments	8	3
<b>Total liquidity</b>	<b>988</b>	<b>1,581</b>
<b>Net (debt)</b>	<b>(3,660)</b>	<b>(2,499)</b>

Net debt of \$3.7 billion as of December 31, 2022 increased \$1.2 billion compared to \$2.5 billion as of December 31, 2021. Alcon's liquidity amounted to \$1.0 billion as of December 31, 2022, compared to \$1.6 billion as of December 31, 2021. Total financial debt amounted to \$4.6 billion as of December 31, 2022, compared to \$4.1 billion as of December 31, 2021. The average maturity of financial debts outstanding as of December 31, 2022 is 11.8 years.

The \$1 billion revolving credit facility remained undrawn as of December 31, 2022 and February 27, 2023.

For additional information regarding net (debt)/liquidity, which is a non-IFRS measure, see the explanation of non-IFRS measures in "Item 5.A. Operating Results—Supplementary Information—Definitions and Reconciliations of Non-IFRS Measures".



## EBITDA (non-IFRS measure)

(\$ millions)	2022	2021	2020
<b>Net income/(loss)</b>	<b>335</b>	<b>376</b>	<b>(531)</b>
Taxes	128	42	(104)
Depreciation of property, plant & equipment	330	323	293
Depreciation of right-of-use assets	76	81	79
Amortization of intangible assets	653	590	1,078
Impairments of property, plant & equipment, and intangible assets	64	225	173
Interest expense	134	120	124
Other financial income & expense	75	42	29
<b>EBITDA</b>	<b>1,795</b>	<b>1,799</b>	<b>1,141</b>

## Liquidity and financial debt by currency

The following table summarizes liquidity and financial debts by currency as of December 31, 2022 and 2021.

	Liquidity (%) <sup>(1)</sup>		Financial debts (%) <sup>(2)</sup>	
	2022	2021	2022	2021
USD	68	91	87	87
EUR	22	4	11	10
CHF	1	—	—	—
JPY	—	—	2	3
Other	9	5	—	—
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

(1) Liquidity includes cash and cash equivalents and time deposits.

(2) Financial debts includes non-current and current financial debts.

## 5.C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Alcon research & development spending totaled \$702 million, \$842 million and \$673 million for the years 2022, 2021 and 2020, respectively. As described in the "Risk Factors" section and elsewhere in this Annual Report, we are subject to varying degrees of governmental regulation in the countries in which we operate, which makes the process of developing new products and obtaining necessary regulatory marketing authorization lengthy, expensive and uncertain. See "Item 3. Key Information—3.D. Risk Factors". For further information on Alcon research and development policies and additional product information, as well as a description of the regulatory approval process, see "Item 4. Information on the Company—4.B. Business Overview".

## 5.D. TREND INFORMATION

Please see "Item 5.A. Operating Results—Opportunity and risk summary" and "Item 4. Information on the Company—4.B. Business Overview" for trend information.

## 5.E. CRITICAL ACCOUNTING ESTIMATES

Please see "Item 5.A. Operating results—Critical accounting policies and estimates".



# **ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

## **6.A. DIRECTORS AND SENIOR MANAGEMENT**

The information set forth under “Item 6.C. Board Practices—Corporate Governance—Board of Directors—Composition” and “Item 6.C. Board Practices—Corporate Governance—Executive Committee—Composition of the Executive Committee” is incorporated by reference.



## 6.B. COMPENSATION

# Introduction

## Dear Shareholder

On behalf of the Alcon Board of Directors ("Board") and Compensation Committee ("CC"), I am pleased to present the 2022 Compensation Report. This report outlines Alcon's overall 2022 compensation framework and philosophy for the members of the Board as well as for the members of the Executive Committee of Alcon ("ECA") and provides a general outlook for our 2023 compensation structure.

This Compensation Report covers the financial year from January 2022 to December 2022.

## 2022 in Review

2022 was a special year for Alcon as we celebrated our 75th anniversary. We approached the year with enthusiasm as our strong portfolio of products continue to help people See Brilliantly. Our team of more than 25,000 associates worked diligently throughout the year to deliver on our long-term goals.

## Business Overview

Alcon had another successful year in 2022 despite persistent macroeconomic headwinds. The Company delivered strong financial performance driven by our broad portfolio of market-leading products, focused commercial execution and careful cost management. In an environment dominated by inflation, supply chain disruptions, increased interest rates and foreign currency exchange volatility, our associates have shown exceptional resilience, remained vigilant on developing our product pipeline and building contingency plans to mitigate the impact to our financial results. Highlights from the year are outlined below:

- Delivered net sales of \$8.7 billion in 2022, representing growth of +5%, or +11% on a constant currency<sup>1</sup> basis compared to 2021, showcasing our strong fundamentals.
- Gained market share and delivered growth compared to 2021 in both Surgical and Vision Care segments; the Surgical segment grew +7%, or +13% on a constant currency basis and the Vision Care segment grew +3%, or +8% on a constant currency basis.
- Completed the acquisition of Aerie Pharmaceuticals, Inc., complementing Alcon's expansion into the ophthalmic pharmaceutical space, with its growing portfolio of commercial products, including brands Rocklatan and Rhopressa, and development pipeline.
- Committed to long-term ESG goals, published two social goals focused on vision improvement and two climate focused environmental goals in Alcon's 2021 Corporate Responsibility Report which aligned with our business and strategy.

## 2022 ECA Compensation

The Board annually reviews the CEO and ECA's target compensation against our peer group. In 2022, Mr. Endicott did not receive an increase to his compensation including base salary, short-term and long-term incentive targets. Compensation adjustments to other ECA members were made to align closer to the range of the peer group median.

## 2022 Incentive Payouts

Alcon had another successful year in 2022 despite persistent macroeconomic headwinds. Alcon's operational and financial performance exceeded the target level for all short-term incentive ("STI") metrics (Sales, Core Operating Income and Free Cash Flow) yielding a business performance factor ("BPF") of 120% for all eligible Alcon associates. For the 2020-2022 long-term incentive ("LTI") performance stock unit ("PSU") award, Alcon exceeded target levels for all four metrics (Sales CAGR, Core EPS CAGR, Share of Peers and Innovation) resulting in 170% performance factor.

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<sup>1</sup> Constant currency growth is a non-IFRS measure. Refer to "Item 5.A. Operating Results—Supplementary Information—Definitions and Reconciliations of Non-IFRS Measures" section for additional information.



## 2022 Annual General Meeting Vote and Engagement with Shareholders

At our 2022 Annual General Meeting (“AGM”), our 2021 Compensation Report received strong support from 87% of the votes cast. While we are encouraged to receive strong shareholder support, we continued our efforts to engage with and gather feedback from our shareholders during 2022 regarding our executive compensation programs to have a two way dialogue and better understand their perspectives.

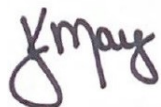
Our engagement team included our Board Chair, our Chief Human Resources Officer, General Counsel, Head of Investor Relations and Head of Sustainability. We heard directly from investors on a range of important topics tied to the executive compensation programs as well as broader ESG matters. Our shareholders were appreciative of the enhancements made to our 2021 short-term incentive payout disclosure, particularly the increased transparency of the ECA individual performance goals including ESG objectives. We have leveraged the feedback from our shareholder outreach to further enhance our Compensation Report.

## 2023 Annual General Meeting

In line with the Articles of Incorporation, we will ask our shareholders to cast a binding vote on the maximum aggregate amount of compensation for members of the Board for their term of office from the 2023 AGM to the 2024 AGM. We will also ask our shareholders to cast a binding vote on the maximum aggregate amount of compensation for members of the ECA for the 2024 financial year. In addition, we will ask our shareholders to endorse this 2022 Compensation Report in an advisory vote.

On behalf of the Board and the members of the CC, we thank you for your trust and investment in Alcon as well as your feedback and support.

Sincerely,

A handwritten signature in dark ink, appearing to read 'K May', is positioned above the printed name and title.

Karen May  
Chair of the Compensation Committee



# Compensation at a Glance

## 2022 ECA Compensation-Summary

We employ a strong pay-for-performance compensation system that motivates our senior executives to create long-term value for the Company and its shareholders.

The executive compensation program consists of a balanced set of fixed and variable elements rewarding short-term and long-term performance through the delivery of cash payments and equity awards. Performance goals were aligned to the strategic plan in a mix of absolute and relative measures including financial and non-financial metrics. The current compensation program remains well suited to effectively align pay and performance.

The CC exercised no discretion with regard to our STI and LTI plans during 2022.

### Exhibit 1

	Annual Base Salary	Short-Term Incentive	Long-Term Incentive	Benefits
<b>Purpose</b>	In line with global pay practices, reflects responsibilities, experience and skills	Rewards annual performance against key objectives	Rewards long-term value creation in line with Alcon's strategy and business priorities	Retirement savings and insurance in line with local market practices and benefits associated with global mobility and international relocation
<b>Payment</b>	Cash	Cash	Equity (Performance Stock Units)	Cash or in-kind contributions to retirement savings and insurance policies
<b>Performance period</b>	—	One year	Three-year cliff vesting	—
<b>Performance measures</b>	—	Three financial performance measures and an individual performance factor	Four equally weighted performance measures including financial, relative and innovation metrics	—
<b>Payout range</b>	—	0%-200% of the individual target award	0%-200% of the number of Performance Stock Units granted	—
<b>Basis</b>	Fixed	Variable	Variable	Fixed in proportion of pay



## Total Compensation for 2022

From January 1, 2022 to December 31, 2022, we awarded the ECA members the amounts set out below.

- Our CEO received no compensation increase in 2022 including base salary and STI and LTI targets.
- The overall structure of ECA compensation remained the same as 2021 (base pay, STI, LTI and benefits).

For more detailed information, see section "ECA Compensation 2022" in this 2022 Compensation Report.

### Exhibit 2

Compensation  From January 1, 2022 to December 31, 2022	Fixed compensation		Variable compensation		Additional comp.	Totals in USD	Totals in CHF <sup>3</sup>
	Annual base salary	Pension and insurance benefits	2022 STI award	2022-2024 LTI awards <sup>1</sup>	Other benefits	Total compen- sation	Total compen- sation
David J. Endicott, CEO	1,240,379	168,035	2,143,375	5,568,577	1,272,305	10,392,671	9,924,481
Other ECA members	4,218,777	775,456	5,213,820	7,814,585	4,619,890	22,642,528	21,622,482
Totals in USD <sup>2</sup>	5,459,156	943,491	7,357,195	13,383,162	5,892,195	33,035,199	
Totals in CHF <sup>3</sup>	5,213,221	900,987	7,025,753	12,780,251	5,626,752		31,546,963

<sup>1</sup> Performance Stock Units.

<sup>2</sup> Includes the CEO and six other ECA members.

<sup>3</sup> The amounts were converted at the rate of 1.0 CHF : 1.047175 USD.



## 2022 Board of Directors Compensation-Summary

We paid our Directors a fixed fee for services covering the term of their office from the 2022 Annual General Meeting ("2022 AGM") to the 2023 Annual General Meeting ("2023 AGM"). No changes have been made to Board compensation since the Board was initially formed in 2019 .

The fixed compensation consists of a base fee for Board membership and additional fees for service on Board committees. Board members and the Board Chair receive fifty percent of their compensation in cash and fifty percent in unrestricted Alcon shares. On a voluntary basis, a Board member may opt to receive all or part of the cash portion in additional shares. Alcon does not provide any performance-based components of pay to the members of the Board.

### Exhibit 3

Board function	CHF <sup>1</sup>	USD <sup>2</sup>
<b>Annual base fee:</b>		
Board Chair	950 000	994,816
Board member base fee (Board retainer fee)	200 000	209,435
<b>Additional fees:</b>		
Vice Chair	40 000	41,887
Chair of the Audit and Risk Committee	70 000	73,302
Chair of the Compensation Committee	50 000	52,359
Chair of the Governance and Nomination Committee	50 000	52,359
Chair of the Innovation Committee	50 000	52,359
Member of the Audit and Risk Committee	35 000	36,651
Member of the Compensation Committee	25 000	26,179
Member of the Governance and Nomination Committee	25 000	26,179
Member of the Innovation Committee	25 000	26,179

<sup>1</sup> Board fees are paid in Swiss Francs (CHF).

<sup>2</sup> The Board fees are converted at the rate of 1.0 CHF : 1.047175 USD.

## Alcon Board Fee Payments in 2022

An additional member was added to the Board when Dr. Raquel Bono was elected at the 2022 AGM with a 2022-2023 AGM term. No changes have been made to Board compensation from the previous year. In 2022, Alcon paid the members of the Board the following total amounts.

For more details regarding the compensation paid to the individual members of the Board, see section "Board of Directors Compensation 2022" in this Compensation Report.

### Exhibit 4

	Payment in cash	Tax and other cash	Payment in shares	Number of shares	Other payments	Total fees
Total fees paid in 2022 <sup>1</sup> in USD	514,752	607,780	2,296,168	33,053	36,250	3,454,950
Total fees paid in 2022 in CHF <sup>2</sup>	491,562	580,400	2,192,726	33,053	34,617	3,299,305

<sup>1</sup> Represents compensation for ten out of eleven members of the Board as David J. Endicott does not receive additional compensation for his service as a member of the Board. Reflects fees for Dr. Bono from April 2022 AGM to December 2022.

<sup>2</sup> The payments in cash were made in Swiss Francs (CHF). For consistency all compensation payments are reported in USD in this report. The amounts were converted at the rate of 1.0 CHF : 1.047175 USD. All amounts are before the social security contributions and income tax deductions due by the Board member.



## Corporate Governance

The Board makes decisions regarding Board compensation upon proposals from the CC. These proposals are based on analysis and review of board compensation practices, policies and benchmarking information. Similarly, the Board approves CEO compensation upon proposals from the CC. The CC decides compensation of the other ECA members based upon the analysis of relevant executive compensation practices, policies and benchmarking information.

The Board is responsible for approving the Compensation Report and for the proposal of the aggregate budget of Board compensation and ECA compensation to the shareholders at the AGM. The Corporate Governance Report contained in our 2022 Annual Report in "Item 6.C. Board Practices" provides further details regarding the responsibilities of the CC.

## Adherence to Strong Governance Practices

The CC evaluates many governance factors when designing and establishing compensation for members of the ECA. It uses these mechanisms to help guide its decisions to ensure that the Company is rewarding long-term success, discouraging excessive risk-taking and aligning executive and shareholder interests.

### Exhibit 5

What we do	What we don't do
<ul style="list-style-type: none"><li>• Provide a majority of executive pay in variable, rather than fixed compensation in order to ensure pay-for-performance</li><li>• Tie 100% of STI and LTI to appropriately ambitious performance metrics</li><li>• Follow best practices in executive compensation design</li><li>• Prohibit hedging, pledging and short sales of Company stock by executive officers and Directors</li><li>• Have robust share ownership requirements to reinforce alignment between executives and shareholders</li><li>• Include forfeiture and claw-back provisions for all variable compensation payments</li><li>• Ensure that STI and LTI plans have target and maximum payout limits</li><li>• Award all equity grants at market value</li><li>• Conduct ongoing investor outreach</li></ul>	<ul style="list-style-type: none"><li>• No severance agreements</li><li>• No single-trigger change in control payments</li><li>• No change in control related excise tax gross ups</li><li>• No termination notice period in excess of twelve months</li><li>• No stock option awards</li><li>• No active defined benefit pension plans</li><li>• No guaranteed compensation</li></ul>



# ECA Compensation 2022

## Compensation Governance

### Authority for ECA Compensation Decisions

All decisions regarding CEO compensation and performance are made by the Board as a whole, excluding the CEO who is recused from such matters. The Board has delegated the authority to make compensation decisions for ECA members, excluding the CEO, to the CC.

The CEO makes recommendations to the CC on executive compensation policy and incentive plan design as well as proposals regarding the compensation and performance targets for ECA members. The CEO also proposes the assessment of performance achievements for ECA members. The CEO does not make proposals regarding his own compensation or performance.

#### Exhibit 6

Authority levels in ECA compensation	CEO	CC	Board	AGM
ECA compensation policy and principles	R	A		
CEO compensation and benefits		R	A	
Other ECA member compensation and benefits	R	A		
CEO performance targets and assessment of achievements		R	A	
Other ECA members' performance targets and assessment of achievements	R	A		
Share ownership requirements for the CEO and other members of the ECA		R	A	
Maximum aggregate ECA compensation		R	P	A <sup>1</sup>
Incentive plan design and rules	R	P	A	
Compensation report of the Company		R	P	A <sup>2</sup>

R Recommend P Propose A Approve

<sup>1</sup> binding vote

<sup>2</sup> advisory vote

## Compensation Program

In the financial year 2022, Alcon's ECA compensation framework included the strategic objectives of:

- Paying for performance and the execution of the Alcon strategy;
- Pursuing value for shareholders over the long-term;
- Creating alignment in the interests of executives and shareholders; and
- Motivating and retaining executives for the long-term.

The general principles for ECA compensation are defined in Articles 31 and 32 of our Articles of Incorporation (<http://investor.alcon.com/governance//default.aspx>). ECA compensation comprises fixed and variable elements. Fixed elements include an annual base salary and benefits. Variable compensation consists of STI and LTI plans, which are subject to performance measures and caps.

### Pay-for-Performance

Variable compensation represents a majority of total compensation and affirms our pay-for-performance philosophy (see more information in Exhibits 11 and 21). Actual payout is contingent on the achievement of Company and individual performance goals. Performance metrics and goals are aligned with the Company's business strategy and compensation philosophy as well as long-term value creation for shareholders and are approved annually by the CC and the Board.



## Peer Group

External peer compensation is an important reference point for consideration of market competitive compensation for the members of the ECA, including our CEO.

The CC believes that a relevant set of peer companies that are similar to Alcon in size, industry, business mix and global footprint, enables shareholders to assess the appropriate levels and practices of compensation and allows for pay-for-performance comparisons. The CC approved the peer group in 2019 and no changes have been made to the peer group since inception. Alcon's revenue and market capitalization are above the median of the peer group companies.

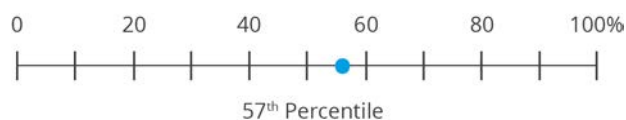
Although Alcon is headquartered in Switzerland, a significant portion of our sales, management team and associate population are in the US. The US is the largest pool for both medical device and ophthalmology talent, and it is therefore critical that Alcon is able to attract and retain key talent from the US. As a result, our CC has selected a blended peer group of European and North American companies (42% European and 58% North American) to balance the European compensation structure with a need to attract and retain US talent. Based on our compensation philosophy, our desired competitive position is to stay close to the median of the peer group. The 2022 peer group is outlined in Exhibit 7.

### Exhibit 7

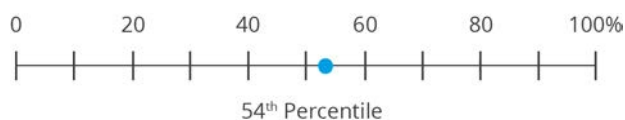
#### Global Peer Group

Agilent Technologies Inc.	Fresenius Medical Care
Align Technology Inc.	Givaudan
BauschHealthCompanies Inc.	Lonza Group
Baxter International Inc.	Merck KGaA
Becton Dickinson & Company	Smith & Nephew
Biogen Inc.	Stryker Corporation
Boston Scientific	The Cooper Companies Inc.
Dentsply Sirona Inc.	UCB
Edwards Lifesciences Corporation	Zimmer Biomet Holding Inc.
EssilorLuxottica	

#### Revenue\*



#### Market Capitalization\*



\* Revenue and Market Capitalization data available as of December 31, 2022.

The annual total compensation of ECA members is targeted to the market median of benchmarks for comparable roles within this peer group. The CC considers compensation practices, structures and levels based on benchmarking information and advice provided by the CC's independent external advisors (see more information under the section "Compensation Governance").

The CC and the Board review the compensation of the CEO and the other ECA members periodically and consider relevant benchmark information. The CC will also review periodically the peer group and make adjustments to its composition as appropriate.

## Forfeiture and Claw-back Rules

Any variable compensation paid or payable to ECA members is subject to forfeiture and claw-back rules under our STI and LTI plans, which allow the Company to retain unpaid or unvested compensation (forfeiture) or recover compensation already paid in cash or shares (claw-back). Such rules apply in cases where the action or behavior of an executive violates internal codes, guidelines or policies or conflicts with management standards, including Company and accounting rules and regulations or violates laws. The action to retain or recover variable compensation is subject to applicable laws of the jurisdiction involved.



## Share Ownership Requirements for ECA Members

The Board has established share ownership requirements for members of the ECA in order to align executives' interests with those of shareholders. The ownership requirement is expressed as a multiple of the executive's annual base salary and is in line with the practices of our peer group. The following Exhibit illustrates those requirements:

### Exhibit 8

Leadership level	Share ownership requirement
David J. Endicott, CEO	5 times annual base salary
Other members of the ECA	3 times annual base salary

All members of the ECA must meet these requirements within five years of service from the commencement of ECA level role. If any of the ECA members fail to meet the requirement, or if they are not on track with the requirements, the CC may take several actions such as prohibiting the sale of Alcon shares until such time the requirement is met. At the end of 2022, each member of the ECA has met or is on track to meet the applicable ownership requirement.

## Compensation Elements

Alcon's compensation program has three broad components: annual base salary, variable compensation elements and employment benefits. Variable compensation elements are geared towards encouraging executives to deliver outstanding results and create sustainable shareholder value. They are also designed to prevent executives from taking excessive risks. The compensation program balances:

- fixed and variable compensation elements;
- short-term and long-term incentive compensation; and
- Company and individual performance.

### Exhibit 9

#### Annual Base Salary

Annual Base Salary	Annual base salary (ABS) is set and reviewed considering:
	<ul style="list-style-type: none"><li>• Market value of the role</li><li>• Benchmark information of peer companies</li><li>• Market median within the peer companies</li><li>• Executive's role, performance, experience and potential</li><li>• Increases in line with the market</li><li>• Business performance and the external environment</li></ul>



## Exhibit 10

### Variable Compensation

<b>Short-Term Incentive</b>	<p><b>The STI is designed and delivers awards based on:</b></p> <p><b>Target value</b></p> <ul style="list-style-type: none"> <li>Annual base salary (ABS)<sup>1</sup> x STI target (% of ABS) = STI target value in USD/CHF</li> </ul> <p><b>Performance measurement</b></p> <ul style="list-style-type: none"> <li>Measurement of financial performance (Business Performance Factor “BPF”) and individual performance (Individual Performance Factor “IPF”, see the description of the STI below for more information)</li> </ul> <p><b>Payout</b></p> <ul style="list-style-type: none"> <li>Performance period: 1 year</li> <li>Range 0%-200% of the target value</li> <li>Payout formula: STI target value x IPF x BPF = STI payout</li> <li>Paid in the first quarter of the following year</li> <li>Delivered in cash</li> </ul>
<b>Long-Term Incentive</b>	<p><b>The LTI is designed and delivers awards based on:</b></p> <p><b>Target value</b></p> <ul style="list-style-type: none"> <li>Annual Base Salary (ABS) x LTI target (% of ABS) = Target value in USD/CHF</li> </ul> <p><b>Target award</b></p> <ul style="list-style-type: none"> <li>Target value divided by the Alcon share price at grant date = number of Performance Stock Units (PSUs) at target</li> <li>Granted at the onset of the performance period</li> </ul> <p><b>Performance measurement</b></p> <ul style="list-style-type: none"> <li>Measurement of metrics (see the description of the LTI below for more information)</li> </ul> <p><b>Payout</b></p> <ul style="list-style-type: none"> <li>Performance period: 3 years</li> <li>Range 0%-200% of the target number of PSUs</li> <li>Payout formula: Target number of PSUs x PSU performance factor = number of PSUs vested</li> <li>Cliff vesting of PSUs (i.e., all PSUs vest at the end of the performance period, subject to performance conditions)</li> <li>Conversion of vested PSUs to Alcon shares</li> <li>Payout delivered in unrestricted Alcon shares</li> <li>Paid in the first quarter of the year following the performance period</li> <li>PSUs carry dividend equivalents payable in cash at the end of the performance period based on the number of PSU vested</li> </ul>

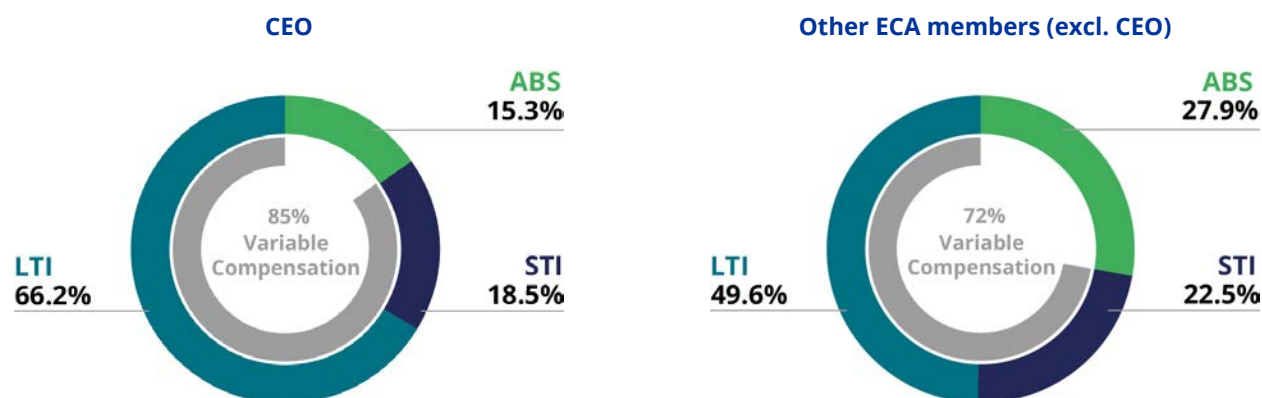
<sup>1</sup> ABS earned during the financial year.

Variable compensation represents a large majority of total direct compensation for ECA members. At target opportunity, the variable compensation represents 85% of the CEO’s total direct compensation. The average variable compensation of the other ECA members represents 72% of total direct compensation.



## Exhibit 11

### Mix of Fixed and Variable Compensation at Target



CEO ratios and average ratios of other ECA members are based on 2022 values of ABS, target STI and target 2022-2024 LTI. Graphics exclude retirement savings and insurance benefits as well as any other benefits.

## CEO Compensation

Our CEO's compensation is aligned with Alcon's pay-for-performance philosophy and is reflected in the pay mix for Mr. Endicott's target compensation. Approximately 85% of his pay is at risk with 78% of his at risk pay tied to the achievement of long-term strategic goals.

In 2022, Mr. Endicott did not receive an increase to his compensation including base salary, short-term and long-term incentive targets.

In alignment with our pay-for-performance compensation philosophy, the Board will continue to monitor CEO's target compensation against the peer group.

## Short-Term Incentive

The short-term incentive compensation element is designed to reward the ECA members for their contribution towards achieving annual Company results and for their individual annual performance. The metrics used for the Business Performance Factor are the same for all ECA members. The Individual Performance Factor varies by individual. Based on this design, each member of the ECA participates in the overall Company's success while also being rewarded for their individual contributions. The annual STI award value at target is based on a percentage of the ECA member's annual base salary.

## Exhibit 12

STI payout opportunity as a % of annual base salary	at target	at maximum
David J. Endicott, CEO	120%	240%
Other members of the ECA (average)	82%	164%

The financial metrics for the short-term performance in 2022 are set out in the Exhibit below. The payout of STI is calculated by multiplying the target award by the BPF and IPF.



**Exhibit 13**

Metric	Financial Metrics <sup>1</sup>			Non-Financial Metric
	Third Party Net Sales	Core Operating Income	Free Cash Flow	Individual Performance
<b>Definition</b>	Measures the Company's Third Party Net Sales performance	Measures the Company's profitability	Measures the Company's capacity to realize cash	Measures the achievement of individual objectives (including ESG objectives) and individual values and behaviors
<b>Rationale</b>	Fosters the Company's top line performance	Recognizes the primary indicator of profitability	Indicates the cash realized from operating activities	Considers individual contribution to the Company's results
<b>Weighting</b>	40%	40%	20%	100%
<b>Performance factors</b>	BPF (total weightings of financial metrics 100%)			IPF
<b>Payout formula</b>	$\text{ABS}^2 \times \text{STI Target} \times \text{BPF} \times \text{IPF} = \text{STI Payout}$ <p>BPF maximum 150% x IPF maximum 150% = maximum 225% (capped at 200%)</p>			
<b>Payout range</b>	0 - 200%			

<sup>1</sup> Financial achievements are measured in constant exchange rates to reflect operational performance and exclude the impact of acquisitions, divestitures and certain non-recurring items in accordance with the short-term incentive plan.

<sup>2</sup> ABS earned during the financial year.

In 2022, the Board and CC continued to incorporate the achievement of ESG objectives in determining the IPF for ECA members and overall STI payout. Each ECA member has five individual performance goals with each having specific measurable objectives and initiatives. The five focus areas are as outlined below:

- Key strategic business and customer objectives;
- Advancing product innovation and delivery;
- Alcon's transformation program;
- ESG objectives, including environmental sustainability, diversity and inclusion, and company culture and talent programs; and
- Achieving a range of key financial and operational performance measures.

At the end of the year, the Board and CC assess each ECA member's achievement of performance objectives to determine their individual performance and IPF which directly impacts the final STI payout amount.

Performance levels, thresholds, targets and maximum values for the financial performance metrics are determined at the beginning of each one-year performance period. In line with good governance practice, the Board and the CC set targets that are appropriately ambitious and in support of the Company's business strategy and the Board's strategic plan without encouraging the ECA member to take undue risks.

At the end of the performance period, the Board and the CC determine the financial performance achievements against the targets originally set and determine the BPF. In addition, they consider the IPF of each ECA member. The IPF is determined by the achievement of individual objectives and the demonstration of values and behaviors. The individual performance rating is the basis for determining the IPF (between 0% and 150%). The CEO and other ECA members are not present when their IPF is discussed and determined.



## Long-Term Incentive

The long-term incentive program is designed to make a significant portion of ECA members' compensation contingent on long-term Company performance and to ensure alignment with shareholders' interests. LTI awards consist of PSUs, which convert to shares at vesting, contingent on the achievement of the performance measures. The annual LTI grant value at target is based on a percentage of each ECA member's annual base salary.

### Exhibit 14

LTI payout opportunity as a % of annual base salary	Below threshold	at target	at maximum <sup>1</sup>
David J. Endicott, CEO	0%	430%	860%
Other members of the ECA (average)	0%	180%	360%

<sup>1</sup> The maximum number of units that may be awarded is limited to 200% of the target number of units granted.

The metrics for the measurement of long-term performance are set out in the Exhibit below. The payout is calculated by adding the weighted achievements of the individual targets in a range from 0-200% and multiplying the number of PSUs granted by the resulting performance factor. We intend to disclose the outcome of each LTI metric and the final LTI payout at the end of their respective performance period, in the applicable compensation report.

### Exhibit 15

Metric	Third Party Net Sales CAGR <sup>1,2</sup>	Core EPS CAGR <sup>2</sup>	Share of Peers <sup>3</sup>	Innovation <sup>4</sup>			
Definition	Measures the Company's Third Party Net Sales performance	Measures the profitability by the earnings per share	Measures the Company's market performance relative to competitors	Measures the key product pipeline and achievement of milestones			
Rationale	Fosters the Company's Sales performance	Aligns ECA with shareholders by measuring earnings per share	Indicates relative competitive position against peers in terms of market share	Delivery of future products and key future growth drivers			
Weighting	25%	25%	25%	25%			
Payout formula	<div><div>Metric 1 25%</div><div>+</div><div>Metric 2 25%</div><div>+</div><div>Metric 3 25%</div><div>+</div><div>Metric 4 25%</div></div>						
	ABS	X	LTI Target	X	<div>Addition of weighted metrics = Performance Factor</div>	=	Payout/ Number of PSUs
	Weighted achievements of metrics = additive payout factor maximum 200% (cap)						
Payout range	0-200%						

<sup>1</sup> CAGR means Compound Annual Growth Rate.

<sup>2</sup> Financial achievements are measured in constant exchange rates to reflect operational performance. Impact of acquisitions, divestitures and certain non-recurring items are excluded from financial achievement in accordance with the long-term incentive plan.

<sup>3</sup> Metric "Share of peers" measures Alcon's market share of key products in the Surgical and Vision Care segments relative to a peer group of competitors using third party syndicated data.

<sup>4</sup> The innovation metric includes 10 milestones which are generally related to sales, total product cost, cost of a development program and timeline of achievements.

**Net Sales CAGR** - Measures Alcon's Net Sales Third Party growth over a 3-year period. The goal setting process for the metric is defined by triangulating between Alcon's internal strategic plan, expected market growth and investors' expectations.

**Core EPS CAGR** - Measures Alcon's profitability growth over a 3-year period. Similar to Net Sales CAGR, goal setting process for this metric is also based on a triangulated approach of assessing Alcon's internal strategic plan, expected market growth and investors' expectations.



**Share of Peers** - Measures Alcon's market share of key product categories in the Surgical and Vision Care segments relative to a peer group of competitors. Market share performance is a relative performance measure based on independent, third-party market data, and is calculated as the change in share across the three-year period. Market share changes are weighted across multiple key product categories to develop a blended Alcon products share change for the three-year cycle.

**Innovation** – This metric is comprised of 10 milestones per annual cycle, typically five in both the Surgical and Vision Care segments. These milestones are approved by the Board's Innovation Committee with each innovation cycle spanning a rolling three-year period with performance milestones in each year. At the completion of each cycle, the Board's Innovation Committee evaluates milestone achievement against performance tiers set at the beginning of the cycle. Milestones are linked to internal development programs, measuring against one of four performance areas:

- Timeline - measure the on-time completion of key product development activities
- Program cost - measure budget adherence
- Total product cost - measure the ability to meet unit cost targets
- Sales - measure new product revenue, typically in the first calendar year after launch

Similar to the performance target-setting and measurement of the STI award, the thresholds, targets and maximum values for the LTI performance metrics are determined at the onset of the three-year performance period. In line with good governance practice, the Board and the CC set targets and ensure they are appropriately ambitious and in support of the strategic plan but do not encourage undue risk taking.

At the end of the three-year performance period of each LTI award, the Board and the CC determine the performance achievements of each metric against the targets originally set.

At the end of the performance period of each LTI award, the Company intends to disclose in the applicable compensation report details of the final LTI payout.

## Benefits

All ECA members are enrolled in benefit plans providing for retirement income savings and insurance for disability and loss of life. These plans are in line with local market practices and legislation and are subject to the Company's plan rules and policies. The ECA members and the Company pay statutory contributions. Of the seven ECA members, six are on Swiss employment contracts and one has an employment contract governed by US law .

### Exhibit 16

Retirement savings and insurance contributions	<b>Retirement and insurance benefits plan contributions provided in line with local market practice (most governed by legal provisions) - Company-paid:</b> <ul style="list-style-type: none"> <li>• Contributions to retirement savings plan</li> <li>• Insurance premiums for disability and survivor benefits</li> <li>• Health insurance (only in the US)</li> <li>• Contributions to mandatory social security systems</li> </ul>
Other benefits	<ul style="list-style-type: none"> <li>• Expense and representation allowance in line with Swiss market practice (covering small expenses)</li> <li>• Mandatory allowances for children and education (only in Switzerland)</li> <li>• Car allowance and other transportation expenses</li> <li>• International benefits (e.g. relocation cost, cost of living adjustments, settling in allowance, international health insurance, housing, schooling/education fees) in line with Alcon's global mobility policies</li> </ul>

Alcon is a global company headquartered in Switzerland with multinational operations and international business strategies. As a result, from time to time, executives are relocated to Switzerland or will be relocated from their home country. Relocated executives receive relocation support and are provided with international benefits in line with Alcon's global mobility and relocation policies (e.g. relocation support, tax and social security equalization, benefit equalization and other international benefits as appropriate).



# Compensation Payments to the ECA Members

## ECA Compensation Payments FY 2022

The following Exhibit 17 sets forth the total compensation received by the CEO (highest paid member of the ECA) and the aggregate total compensation received by all of the other ECA members for the period from January 1, 2022 to December 31, 2022.

The compensation Alcon paid to the ECA members in 2022 remained within the approved Say-On-Pay budget.

### Exhibit 17

Compensation  From January 1, 2022 to December 31, 2022	Fixed compensation		Variable compensation		Additional compensation	Totals in USD	Totals in CHF
	Annual base salary <sup>1</sup>	Pension and insurance <sup>2</sup>	2022 short-term incentive <sup>3</sup>	2022-2024 long-term incentive <sup>4</sup>	Other benefits <sup>5</sup>	Total compensation <sup>6</sup>	Total compensation <sup>6</sup>
David J. Endicott, CEO	1,240,379	168,035	2,143,375	5,568,577	1,272,305	10,392,671	9,924,481
Aggregate amount of 6 other ECA members	4,218,777	775,456	5,213,820	7,814,585	4,619,890	22,642,528	21,622,482
Totals in USD <sup>6</sup>	5,459,156	943,491	7,357,195	13,383,162	5,892,195	33,035,199	
Totals in CHF	5,213,221	900,987	7,025,753	12,780,251	5,626,752		31,546,963

<sup>1</sup> The total of Annual Base Salaries paid for the period from January 1, 2022 to December 31, 2022, including increases effective throughout the year, if applicable.

<sup>2</sup> The retirement, pension and insurance benefits are the actual contributions paid to benefit plans for the period from January 1 to December 31, 2022. It also includes the amount of USD 37,765 for mandatory contributions paid by Alcon to governmental social security systems for all ECA members, which provide the ECA members with the right to the maximum future insured government pension benefit. The aforementioned amount is a portion of a total amount of contributions of USD 1,200,981 paid by Alcon to the social security systems.

<sup>3</sup> The STI award disclosed is the amount earned for the performance year 2022. It will be paid in March 2023 in cash.

<sup>4</sup> The amounts of the 2022-2024 LTI awards represent the total value of the target number of PSUs granted to the CEO and six active ECA members on February 10, 2022. The value of the PSUs is based on the closing price of the underlying Alcon share on the date of grant of USD 77.73.

<sup>5</sup> The amounts of other benefits include the contractual Company-paid benefits, values of benefits in kind, payments made and payments or values to ECA members for the relevant period in 2022, including car allowance and other transportation expenses and benefits for international assignment (e.g. housing, schooling, tax and social security equalization, benefit equalization and other international relocation benefits).

<sup>6</sup> Payments to ECA members were made in CHF and/or USD. The amounts were converted at the rate of 1.0 CHF : 1.047175 USD.

Alcon reports the 2022-2024 Long-Term Incentive Awards at the value at the time of grant in accordance with Swiss market practice. The basis for disclosure is the target value of the PSU at grant, reflecting the assumption that the awards will vest at 100% achievement, excluding any share price movement that may occur over the performance period. The future payout will be determined only after the conclusion of the performance period in three years (i.e. at the end of 2024) and the awards will vest in February 2025. The payout range is between 0% and 200% of the target number of PSUs.



## ECA Compensation Payments FY 2021

The following Exhibit 18 sets forth the total compensation received by the CEO (highest paid member of the ECA) and the aggregate total compensation received by all of the other ECA members for the period from January 1, 2021 to December 31, 2021.

The compensation Alcon paid to the ECA members in 2021 remained within the approved Say-On-Pay budget.

### Exhibit 18

Compensation	Fixed compensation		Variable compensation		Additional compensation	Totals in USD	Totals in CHF
From January 1, 2021 to December 31, 2021	Annual base salary <sup>1</sup>	Pension and insurance <sup>2</sup>	2021 short-term incentive <sup>3</sup>	2021-2023 long-term incentive <sup>4,5</sup>	Other benefits <sup>6</sup>	Total compensation <sup>7</sup>	Total compensation <sup>7</sup>
David J. Endicott, CEO	1,289,196	141,563	2,747,937	5,613,848	1,116,719	10,909,263	9,974,666
Aggregate amount of 6 other ECA members	4,291,981	745,431	5,709,969	8,427,040	4,160,531	23,334,952	21,335,847
Totals in USD <sup>6</sup>	5,581,177	886,994	8,457,906	14,040,888	5,277,250	34,244,215	
Totals in CHF	5,103,038	811,005	7,733,317	12,838,005	4,825,148		31,310,513

<sup>1</sup> The total of Annual Base Salaries paid for the period from January 1, 2021 to December 31, 2021, including increases effective throughout the year, if applicable.

<sup>2</sup> The retirement, pension and insurance benefits are the actual contributions paid to benefit plans for the period from January 1 to December 31, 2021. It also includes the amount of USD 52,507 for mandatory contributions paid by Alcon to governmental social security systems for all ECA members, which provide the ECA members with the right to the maximum future insured government pension benefit. The aforementioned amount is a portion of a total amount of contributions of USD 643,390 paid by Alcon to the social security systems.

<sup>3</sup> The STI award disclosed is the amount earned for the performance year 2021. It was paid in March 2022 in cash.

<sup>4</sup> The amounts of the 2021-2023 LTI awards represent the total value of the target number of PSUs granted to the CEO and six active ECA members on February 17, 2021. The value of the PSUs is based on the closing price of the underlying Alcon share on the date of grant of USD 72.05. Our President of Global Business and Innovation departed Alcon on August 31, 2021 and all of his unvested LTI equity awards were forfeited upon his departure. No extraordinary payments were made upon his departure.

<sup>5</sup> Includes the value of the target PSUs of a special, one-time LTI retention award granted to Mr. Duplan on February 17, 2021, subject to the same performance conditions and vesting schedule as the 2021-2023 PSU awards.

<sup>6</sup> The amounts of other benefits include the Company-paid benefits, values of benefits in kind, payments made and payments or values promised to ECA members for the relevant period in 2021, including benefits for international assignment (e.g. housing, schooling, tax and social security equalization, benefit equalization and other international relocation benefits).

<sup>7</sup> Payments to ECA members were made in CHF and/or USD. The amounts were converted at the rate of 1.0 CHF : 1.093697 USD.

## Outcome of Performance Awards 2022

### 2022 Short-Term Incentive

Alcon's operational and financial performance exceeded the target level for all metrics. Sales outperformed the target driven by product innovation in both segments, strong commercial execution and better than expected demand in certain markets, partially offset by supply chain challenges in vision care, primarily in contact lens care.

In the Surgical segment, Alcon's performance was driven by our comprehensive portfolio of PC-IOLs, including *Vivity* and *PanOptix*. In addition, our Equipment & Consumable offerings paired with our strong commercial execution were able to help eye care professionals meet the rebounding consumer demand across certain markets with optimized patient and surgeon experience.

In the Vision Care segment, our innovative suite of lenses, including the *PRECISION1* and *TOTAL* family of lenses with *DAILIES TOTAL1* and *TOTAL30* continued to be our main growth drivers. Supply chain challenges primarily in contact lens care negatively impacted overall Vision Care segment performance.

Core operating income benefited from higher sales as well as effective cost management in the face of macroeconomic headwinds resulting in improved operating leverage.



Free Cash Flow was above the target primarily driven by the strong operating performance and reduced capital expenditures due to better efficiencies from existing manufacturing lines.

Exhibit 19 shows the weighting, target, and payout level for the 2022 STI.

#### Exhibit 19

Performance metric	Weighting	2022 Target <sup>(1)</sup> (\$ millions)	Payout Level <sup>(2)</sup>	Weighted Payout <sup>(3)</sup>
Third Party Net Sales	40%	8,828	115%	46%
Core Operating Income <sup>(4)</sup>	40%	1,658	127%	51%
Free Cash Flow <sup>(4)</sup>	20%	850	113%	23%
STI payout	100%			120%

<sup>(1)</sup> Target is expressed at the exchange rates prevalent at the time of Board approval.

<sup>(2)</sup> Financial achievement is measured in constant exchange rates to reflect operational performance and excludes the impact of acquisitions, divestitures and certain non-recurring items in accordance with the short-term incentive plan.

<sup>(3)</sup> Rounded to the nearest whole %.

<sup>(4)</sup> Core Operating Income and Free Cash Flow are non-IFRS measures.

In 2022, the Board and CC continued to incorporate the achievement of ESG objectives in determining the IPF for ECA members and their overall STI payout. Each ECA member has five individual performance goals with each having specific measurable objectives and initiatives. The five focus areas are as outlined below:

- Key strategic business and customer objectives;
- Advancing product innovation and delivery;
- Alcon's transformation program;
- ESG objectives, including environmental sustainability, diversity and inclusion, and company culture and talent programs; and
- Achieving a range of key financial and operational performance measures.

At the end of the year, the Board and CC assess each ECA member's achievement of performance objectives to determine their individual performance and IPF which directly impacts the final STI payout amount.

For 2022, the CEO's individual performance goals assessment is outlined below:

- Delivered strong financial results despite multiple macroeconomic headwinds; gained market share and delivered growth compared to 2021 in both Surgical and Vision Care segments; the Surgical segment grew +7%, or +13% on a constant currency basis and the Vision Care segment grew +3%, or +8% on a constant currency basis;
- Completed acquisition of Ivantis, Inc., a leader in the minimally invasive glaucoma surgery space, deepening the Company's position in the glaucoma market;
- Expanded our ophthalmic pharmaceutical business with the acquisition of Aerie Pharmaceuticals, Inc. and made a strategic investment in next generation cell therapy technology to position the Company for sustained long-term growth;
- Maintained strong investment in research and development with significant progress on next generation innovation diagnostic and refractive equipment, advanced technology intraocular lenses, next generation contact lenses and eye drops;
- Expanded contact lens manufacturing footprint with the start of four new manufacturing lines providing more flexibility and allowing Alcon to grow at intended pace;
- Expanded transformation efforts to streamline management, and drive speed and simplicity, resulting in leaner operating structure;
- Delivered diversity and inclusion objectives, committed to long-term ESG goals, published two social goals focused on vision improvement and two climate focused environmental goals in Alcon's 2021 Corporate Responsibility Report which aligned with our business and strategy; and
- Achieved above average share price performance against the global industry peer average and inline with the relevant medical device market index in a challenging macroeconomic environment.



Based on the Board and CC's assessment of the CEO's performance against his individual goals in 2022, Mr. Endicott's IPF was assessed at 120% resulting in an overall STI payout of 144% (120% BPF X 120% IPF) of target. An average IPF of 123% was determined for the other ECA members resulting in an average STI payout of 148% of target.

## 2020-2022 Long-Term Incentive

The 2020-2022 LTI awards for the CEO and other ECA members vest in 2023. The Alcon LTI program for the ECA consists of 100% PSUs. Performance for the PSU consists of the following four metrics: Sales CAGR, Core EPS CAGR, Share of Peers and Innovation weighted equally. Alcon underwent a rigorous goal setting process to establish the construction of ambitious goals while balancing against incentivizing excessive risk taking. The CC considers a number of factors, both external and internal such as Alcon's forward-looking strategic plan, shareholders' and analysts' expectations regarding our future performance, general market outlook and the performance of our direct competitors to set targets that are appropriately challenging and aligned with shareholder expectations.

### Sales CAGR Metric

Over the three-year performance period, sales grew at a compounded average rate of 6% on a reported basis and 8% on a constant exchange rate basis. This strong performance was achieved despite the impact of COVID-19 which hampered market growth and customer ability to adopt new technologies. Against this backdrop, Alcon exceeded the mid-single digit growth long term goal set at time of its spin off in 2019 by growing ahead of market in both the Surgical and Vision Care segments. In the Surgical segment, growth was driven by significant market share gains from *PanOptix* and *Vivity* in the global AT-IOL market and the worldwide expansion of its equipment footprint. In the Vision Care segment, the launches of *PRECISION1* and *PRECISION1* for Astigmatism drove market share gains in contact lenses, while ocular health benefited from the OTC introduction of *Pataday* and the expansion of the *Systane* portfolio with *Systane* multi-dose preservative free.

### Core EPS CAGR Metric

Over the three-year performance period Core EPS grew at a compounded average rate of 6% on a reported basis and 14% on a constant exchange rate basis. These strong results were driven by incremental sales and operating leverage, primarily in selling, general & administration. The strong execution of our ongoing transformation program allowed the optimization of our cost structure, delivering leverage while we continued to invest behind research & development and revenue generating activities. This performance was achieved despite facing significant challenges, including the COVID-19 pandemic and higher costs from inflation.

### Share-of-Peer Metric

In the Surgical segment, Alcon grew significantly ahead of peers, and ahead of planned targets, specifically in cataract consumables (phaco cassette paks) which reflect the share of procedures using Alcon equipment. Alcon also gained share in the global IOL market, driven by the performance of *PanOptix* and *Vivity* advanced technology lenses. In the Vision Care segment, the launch of *PRECISION1*, *PRECISION1* for Astigmatism, and *TOTAL30* contact lenses also helped Alcon gain market share across the 2020-2022 performance period. Alcon contact lenses have continued to grow ahead of the market since the beginning of the performance period.

### Innovation Metric

We have continued to execute on our research and development strategy to meet innovation milestones for Sales, Timelines, Total Product Cost, and Program Costs set out for the 2020-2022 cycle. Innovation program achievements during this period included advancing key surgical equipment pipeline projects as well as the commercial success of *Vivity*, *TOTAL30* and *Pataday*. Key milestones in the Surgical and Vision Care segments are outlined below:

- Delivered sales targets for Alcon's *Vivity* IOL in the Surgical segment and *Pataday* in the Vision Care segment.
- Met timeline adherence for SMARTCataract and a next generation diagnostic equipment program in the Surgical segment and *Systane* multi-dose preservative free product launches in the Vision Care segment.
- Delivered development cost targets for a next generation IOL in the Surgical segment.
- Met total product cost targets for *TOTAL30* and another contact lens platform in development in the Vision Care segment.



## Exhibit 20

Performance metric	Weighting	Payout Level	Weighted Payout % (0-200%) <sup>(1)</sup>
Third Party Net Sales CAGR <sup>(2)</sup>	25%	180%	45%
Core EPS CAGR <sup>(2), (3)</sup>	25%	171%	43%
Share of Peers	25%	200%	50%
Innovation	25%	130%	32%
<b>PSU payout</b>			<b>170%</b>

<sup>(1)</sup> Rounded to the nearest whole %.

<sup>(2)</sup> Financial achievement is measured in constant exchange rates, a non-IFRS measure, to reflect operational performance. Impact of acquisitions, divestitures and certain non-recurring items are excluded from financial achievement in accordance with the long-term incentive plan.

<sup>(3)</sup> Core EPS is a non-IFRS measure.

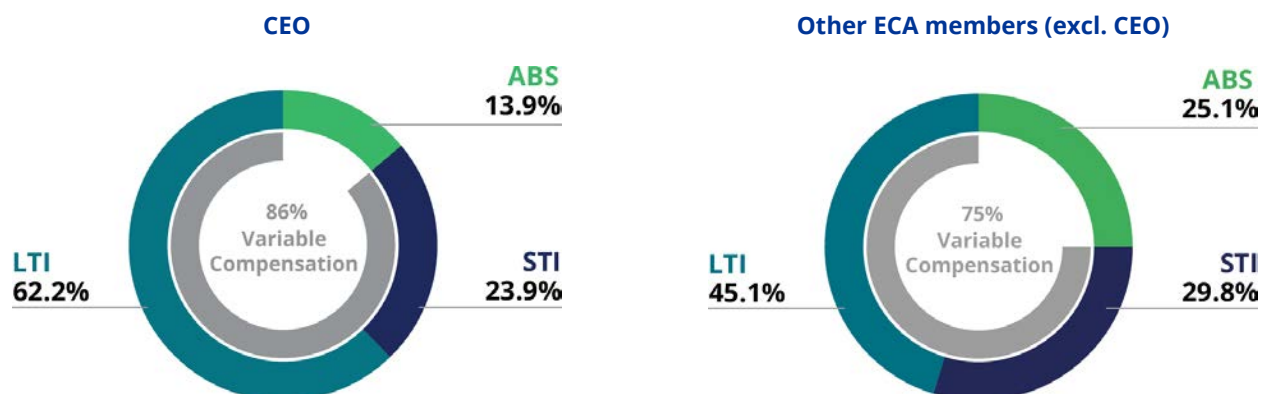
Based on our results, the performance factor for the 2020-2022 PSU award was 170%. During the performance period, Alcon's market capitalization increased just under \$6 billion.

## Fixed and Variable Compensation

The mix of fixed and variable compensation over the period from January 1, 2022 to December 31, 2022 is as follows:

### Exhibit 21

#### Mix of Fixed and Variable Compensation at Actual 2022 STI Payout and 2022-2024 LTI at Grant



Average ratios are based on ABS, payout of 2022 STI (in March 2023) and grants of 2022-2024 LTI awards at grant value. Mix excludes retirement, pension and insurance benefits as well as any other benefits.



# Equity Instruments Granted to the ECA Members

## Equity Instruments Granted in FY 2022

The LTI awards (in PSUs) for the performance period 2022-2024 were granted on February 17, 2022 to the CEO and the six other members of the ECA. The number of PSUs are set out in Exhibit 22 below. The values of the awards are based on the closing price of the underlying Alcon share on the date of grant and disclosed in section "ECA Compensation Payments FY 2022", Exhibit 17.

### Exhibit 22

Number of units granted to	2022 PSUs based on the 2022-2024 LTI target Award <sup>1</sup>
David J. Endicott, CEO	71,640
Other ECA members	100,535
<b>Total</b>	<b>172,175</b>

<sup>1</sup> The values of the awards in PSUs are disclosed under "ECA compensation payments FY 2022" (Exhibit 17).

## Equity Instruments Granted in FY 2021

The LTI awards (in PSUs) for the performance period 2021-2023 were granted on February 18, 2021 to the CEO and the six other members of the ECA. The number of PSUs are set out in Exhibit 23 below. The values of the awards are based on the closing price of the underlying Alcon share on the date of grant and disclosed in section "ECA Compensation Payments FY 2021", Exhibit 18.

### Exhibit 23

Number of units granted to	2021-2023 LTI target Award <sup>1,2,3</sup>
David J. Endicott, CEO	77,916
Other ECA members	116,961
<b>Total</b>	<b>194,877</b>

<sup>1</sup> The values of the awards in PSUs are disclosed under "ECA compensation payments FY 2021" (Exhibit 18).

<sup>2</sup> Our President of Global Business and Innovation departed Alcon on August 31, 2021 and the target PSUs were forfeited upon his departure.

<sup>3</sup> Number of units includes the target PSUs of a special, one-time LTI retention award granted to Mr. Duplan on February 17, 2021, subject to the same performance conditions and vesting schedule as the 2021-2023 PSU awards.

# Share Ownership of the ECA Members

The number of Alcon shares or share-based units held by ECA members and "persons closely linked" (as defined below) to them as of each of December 31, 2022 and December 31, 2021 is set out in the Exhibit below. As of each of these dates, no ECA members, either individually or together with "persons closely linked", owned 1% or more of the outstanding shares of Alcon.



**Exhibit 24**

Number of units	December 31	Vested shares	Unvested RSUs	Unvested target PSUs	Total
David J. Endicott	2022	143,412	14,032	228,526	385,970
	2021	98,448	20,468	209,365	328,281
Laurent Attias	2022	16,959	2,033	33,314	52,306
	2021	7,435	2,310	35,510	45,255
Ian Bell	2022	22,701	2,853	49,810	75,364
	2021	7,164	7,190	48,148	62,502
Leon Sergio Duplan Fraustro	2022	13,119	2,833	59,156	75,108
	2021	4,980	6,492	59,824	71,296
Sue-Jean Lin	2022	32,565	7,659	35,298	75,522
	2021	20,474	11,152	33,857	65,483
Rajkumar Narayanan	2022	24,283	2,321	37,803	64,407
	2021	13,761	2,639	36,782	53,182
Tim C. Stonesifer	2022	60,754	4,989	92,426	158,169
	2021	13,568	4,989	125,124	143,681
<b>Total</b>	<b>2022</b>	<b>313,793</b>	<b>36,720</b>	<b>536,333</b>	<b>886,846</b>
	2021	165,830	55,240	548,610	769,680



## **Additional Disclosures**

### **Employment Agreements**

The Company and the members of the ECA entered into employment agreements for an indefinite period of time. Six of seven ECA members' employment agreements are governed by Swiss law. The seventh ECA member's employment agreement is governed by US law.

All employment contracts with ECA members provide for advanced notice of termination of employment, none of which exceed a 12-month period in accordance with our Articles of Incorporation. None of the employment agreements with the ECA members provide for any severance payment.

Such employment agreements also prohibit the ECA member from competing against Alcon for a period up to 12 months after termination in accordance with our Articles of Incorporation.

### **Payments to Current or Former Members of the ECA**

During 2022, no payments (or waivers of claims) other than those set out in Exhibit 17 (including the related notes) under section "ECA Compensation Payments FY 2022" were made to current or former members of the ECA or to "persons closely linked" to them.

### **Loans to Members of the ECA**

Alcon's Articles of Incorporation and corporate policies do not permit loans to current or former members of the ECA or to "persons closely linked" to them. As a result, no loans were granted in 2022, and none were outstanding as of December 31, 2022.

### **Persons Closely Linked**

Persons closely linked to members of the ECA are (i) their spouse, (ii) their children below age 18, (iii) any legal entities that they own or otherwise control (iv) any legal or natural person who is acting as their fiduciary or agent and (v) family trusts.

### **Compensation Expense 2022**

The total expense for the year 2022 for compensation awarded to ECA members, using International Financial Reporting Standards (IFRS) measurement rules, is presented in Note 24 to the Company's audited Consolidated Financial Statements. The numbers for compensation expense in Note 24 may differ from the numbers reported in this 2022 Compensation Report due to the accounting and disclosure standards applied.

### **Alcon Share-Based Units Awarded to Alcon Associates in 2022**

In the financial year 2022, the total of approximately 2.0 million restricted shares, RSUs and target PSUs (all unvested) were granted, and approximately 2.4 million Alcon shares vested and were delivered to Alcon associates under the various equity-based incentive or participation plans. Current unvested equity instruments (restricted shares, RSUs and target PSUs) represent approximately 1% of issued shares. Alcon delivers treasury shares to associates to fulfill these obligations.



# Board of Directors Compensation 2022

## Compensation Framework

The Board compensation was set at a level that allowed for the attraction and appointment of high-caliber talent for Board roles with the relevant background and skills, including global experience in the medical devices and ophthalmology industries. An additional member was added to the Board when Dr. Raquel Bono was elected at the 2022 AGM with a 2022-2023 AGM term. Her background and skill set complement the current board skill set and her contributions during the year have made a significant impact. The Board is comprised of both Swiss and international members.

Non-executive Board members are awarded a base fee. Further, they are entitled to additional fees for their roles of Chair and/or member on the Board committees. The Vice Chair also receives an additional fee. The Board Chair does not receive additional fees for work in committees. David J. Endicott, the CEO of Alcon, does not receive any fees for his Board membership. Mr. Endicott is compensated as a member of the ECA and his compensation is disclosed in section "ECA Compensation 2022."

The following table sets out the compensation for the non-executive members of the Board from the 2022 AGM to the 2023 AGM:

### Exhibit 25

Board function	CHF	USD <sup>1</sup>
Annual base fee:		
Board Chair	950 000	994,816
Board member base fee (Board retainer fee)	200 000	209,435
<b>Additional fees:</b>		
Vice Chair	40 000	41,887
Chair of the Audit and Risk Committee	70 000	73,302
Chair of the Compensation Committee	50 000	52,359
Chair of the Governance and Nomination Committee	50 000	52,359
Chair of the Innovation Committee	50 000	52,359
Member of the Audit and Risk Committee	35 000	36,651
Member of the Compensation Committee	25 000	26,179
Member of the Governance and Nomination Committee	25 000	26,179
Member of the Innovation Committee	25 000	26,179

<sup>1</sup> Converted into USD at a rate of CHF 1.0 = USD 1.047175.

In 2022, the following framework applied to the compensation of non-executive Board members:

- Fifty percent of the total fees is paid in shares on a mandatory basis in two installments: September 2022 and March 2023;
- Fifty percent of the total fees is paid in cash in four installments: June, September and December 2022 and March 2023;
- Each Board member may elect to receive up to one hundred percent of their fees in shares;
- The fees are paid in Swiss Francs;
- The shares delivered are unrestricted (free shares) listed on the SIX Swiss Exchange;
- The members of the Board are subject to share ownership requirements (as noted in Exhibit 26);
- Board members bear the full cost of their own social security contributions; and
- Board members do not receive variable compensation, in line with their focus on corporate strategy, supervision and governance. Their payment in shares is in unrestricted shares. They do not receive share options or other share-based instruments.



The general principles of compensation of the members of the Board are defined in our Articles of Incorporation. According to our Articles of Incorporation, Alcon may enter into agreements with members of the Board relating to their compensation for a fixed term of up to one year.

## Share Ownership Requirements for Members of the Board

Board members are committed to align their interests with those of shareholders. The Board has set forth share ownership requirements which apply to the non-executive members of the Board.

Each member of the Board, including the Board Chair, is required to own Alcon shares that represent the value of his or her annual base fee. This requirement must be met within four years in office.

### Exhibit 26

Board level	Share ownership requirement
Board Chair	1 times annual base fee, within 4 years
Other Board members	1 times annual base fee, within 4 years

Each member of the Board has met or is on track to meet the ownership requirement. Board members are prohibited from hedging or pledging their ownership positions in Alcon shares that are part of the share ownership requirement.

## Compensation Governance

### Authority for Board Compensation Decisions

Decisions regarding Board compensation are taken by the Board upon proposals from the CC. The CC's proposals are based on analysis and review of compensation practices, policies and benchmarking information provided by external compensation advisors.

The Board is responsible for approving the Compensation Report and for proposing the aggregate budget of Board compensation subject to a shareholders' vote at the applicable AGM.

### Exhibit 27

Authority levels in Board compensation	CC	Board	AGM
Board compensation policy and principles	P	A	
Board Chair compensation	P	A	
Other Board member compensation	P	A	
Share ownership requirements for Board members	P	A	
Maximum aggregate compensation of the Board members	R	P	A <sup>1</sup>
Compensation Report of the company	R	P	A <sup>2</sup>

R Recommend P Propose A Approve

<sup>1</sup> binding vote

<sup>2</sup> advisory vote

The Corporate Governance Report in Item 6.C. Board Practices of this Annual Report provides further details to the authorities of the CC.



## Independence of Members of the Compensation Committee

Each of the members of the CC meets the independence criteria set forth in our Board Regulations. Effective from the 2022 AGM, the CC has been comprised of the following four members: Karen J. May (Chair), Thomas H. Glanzmann, Scott Maw and Ines Pöschel. At each AGM, the shareholders elect the members of the CC individually for a term of office of one year. The Board then nominates the CC Chair. Our Articles of Incorporation permit re-election. Alcon's 2022 Corporate Governance Report contained in Item 6.B. of the Alcon 2022 Annual Report, provides details regarding the members of the Board and the independence criteria for Board members. The Board Chair, the CEO and the Secretary of the Board attend the CC meetings by invitation. None is present when decisions relating to their respective interests are taken.

## The Compensation Committee's External Advisors

During 2022, the CC retained Willis Towers Watson ("WTW") as its external compensation advisor. For the same period, the CC also retained HCM International (Switzerland) ("HCM") for advice with regard to Swiss compensation matters. The CC appointed each of them in 2019 following a thorough process of evaluating proposals from various consulting firms. During 2022, WTW provided additional services to Alcon related to, among other things, consulting services related to compensation, pension and benefit programs. During the same period, HCM did not provide additional services to Alcon.

The CC conducted a review of the support received from the selected external advisors and is satisfied with the result of the work completed in 2022. At least annually, the CC will evaluate the quality of the consulting services received and the need to use specific advisors.

## Compensation of the Members of the Board of Directors

### Board Compensation FY 2022

The following Exhibit 28 sets out the total compensation received by non-executive members of the Board during 2022.

The disclosed compensation represents (i) the fees paid to the members of the Board in March 2022, which was the last installment of the fees for their term of office up to the 2022 AGM, and (ii) the fees paid up to December 31, 2022 for their term of office from the 2022 AGM to the 2023 AGM.

The installment of the fees paid in March 2022 completed the delivery of all fees due for the term of office from 2021 AGM to the 2022 AGM. The total of fees paid for that term remained within the approved budget.

The fees paid between the 2022 AGM and December 31, 2022 to the members of the Board of Directors are only a part of the total fees they will receive for the service on the Board during the term of office from the 2022 AGM to the 2023 AGM (three of four installments). In accordance with our normal payout schedule, a further payment of fees in cash and shares will be made in March 2023. Total 2022 Board fees are higher than in 2021 due to the addition of a new board member at the 2022 AGM. The board fee structure did not change from 2021 to 2022.

The CEO of Alcon, David J. Endicott, is not included in this Exhibit 28 as he is not compensated for his Board membership. Mr. Endicott is compensated as a member of the ECA and his compensation is disclosed in section "ECA Compensation 2022."



**Exhibit 28**

<b>Board members, functions<sup>1</sup></b>	<b>Payment in cash</b>	<b>Tax and other cash<sup>2</sup></b>	<b>Payment in shares<sup>3</sup></b>	<b>Number of shares<sup>4</sup></b>	<b>Other payments<sup>5</sup></b>	<b>Total fees 2022</b>
<b>F. Michael Ball</b> Board Chair, member GNC	—	248,801	746,015	10,738	—	994,816
<b>Lynn D. Bleil</b> Member ARC and IC	136,133	34,074	102,059	1,469	—	272,266
<b>Raquel C. Bono</b> Member IC	44,178	22,156	66,199	985	—	132,533
<b>Arthur B. Cummings</b> Member IC	117,807	34,648	83,159	1,197	21,925	257,539
<b>Thomas H. Glanzmann</b> Chair IC, member GNC, CC	—	19,018	295,135	4,248	4,775	318,928
<b>D. Keith Grossman</b> Vice Chair, Chair GNC, member IC	—	82,532	247,328	3,560	—	329,860
<b>Scott H. Maw</b> Chair ARC, member CC	—	74,049	221,778	3,197	—	295,827
<b>Karen J. May</b> Chair CC, member ARC	—	74,669	223,776	3,221	—	298,445
<b>Ines Pöschel</b> Member GNC, CC	124,352	6,949	137,038	1,966	4,775	273,114
<b>Dieter P. Spälti</b> Member ARC	92,282	10,884	173,681	2,472	4,775	281,622
Total fees paid in 2022 in USD <sup>6</sup>	514,752	607,780	2,296,168	33,053	36,250	3,454,950
Total fees paid in 2022 in CHF <sup>7</sup>	491,562	580,400	2,192,726	33,053	34,617	3,299,305

<sup>1</sup> Board Committees: "ARC" Audit and Risk Committee; "CC" Compensation Committee; "GNC" Governance and Nomination Committee; "IC" Innovation Committee. F. Michael Ball does not receive an additional fee as a member of the GNC.

<sup>2</sup> These amounts represent the values of tax and, if applicable, social security due upon the allocation of shares, which were delivered in cash to the accounts. They were then deducted and paid to the applicable authorities. Further, the amounts include the residual amount of cash resulting from rounding down the number of shares to the next whole share.

<sup>3</sup> The amounts in USD represent the converted value in CHF based on the Alcon shares granted on March 4, 2022 at the closing price of CHF 68.66 per share on the date of grant and on September 1, 2022, at the closing price of CHF 64.18. The shares granted are listed on the SIX Swiss Exchange.

<sup>4</sup> The total number of shares reported were delivered to each Board member in (i) the second installment of the fee in shares in March 2022 (2021 AGM - 2022 AGM), and (ii) the first installment of the fee in shares (term 2022 AGM - 2023 AGM). The second and final installment in shares for the services from the 2022 AGM to the 2023 AGM will be delivered in March 2023.

<sup>5</sup> Includes (i) an amount of USD 19,101 for mandatory employer contributions paid by Alcon to governmental social security systems, which provides the relevant members of the Board with a right to the maximum future insured government pension benefit (this amount is a part of total mandatory employer contributions of USD 94,947 to the governmental social security systems) and (ii) USD 17,150 paid to Dr. Cummings (or his related entities) for consulting services, including assistance with clinical trials that Dr. Cummings, as an ophthalmologist, provided to Alcon (these services were unrelated to Dr. Cummings' board service).

<sup>6</sup> All amounts include the payments made and the shares delivered in March 2022 as installment of the fee for the term of office 2021 AGM - 2022 AGM.

<sup>7</sup> The payments in cash were made in Swiss Francs (CHF). For consistency they are reported in USD as all compensation in this 2022 Compensation Report. The amounts in CHF were converted to USD at the exchange rate of 1.0 CHF : 1.047175 USD. All amounts are before deductions of social security contributions and income tax paid by the Board members.



## Board Compensation FY 2021

The following Exhibit 29 sets out the total compensation received by non-executive members of the Board during 2021.

The disclosed compensation represents (i) the fees paid to the members of the Board in March 2021, which was the last installment of the fees for their term of office up to the 2021 AGM, and (ii) the fees paid up to December 31, 2021 for their term of office from the 2021 AGM to the 2022 AGM.

The installment of the fees paid in March 2021 completed the delivery of all fees due for the term of office from 2021 AGM to the 2022 AGM. The total of fees paid for that term remained within the approved budget.

The fees paid between the 2021 AGM and December 31, 2021 to the members of the Board of Directors are only a part of the total fees they received for the service on the Board during the term of office from the 2021 AGM to the 2022 AGM (three of four installments). In accordance with our normal payout schedule, a further payment of fees in cash and shares was made in March 2022.

The CEO of Alcon, David J. Endicott, is not included in this Exhibit as he is not compensated for his Board membership. Dr. Bono is also not included in this Exhibit as she was not an Alcon Board member during 2021.

### Exhibit 29

Board members, functions <sup>1</sup>	Payment in cash	Tax and other cash <sup>2</sup>	Payment in shares <sup>3</sup>	Number of shares <sup>4</sup>	Other payments <sup>5</sup>	Total fees 2021
<b>F. Michael Ball</b> Board Chair, member GNC	0	259,825	779,188	10,169	—	1,039,013
<b>Lynn D. Bleil</b> Member ARC and IC	106,635	53,335	159,937	2,152	—	319,907
<b>Arthur B. Cummings</b> Member IC	123,041	37,135	85,906	1,120	37,096	283,178
<b>Thomas H. Glanzmann</b> Chair IC, member GNC, CC	0	19,874	308,236	4,023	4,987	333,097
<b>D. Keith Grossman</b> Vice Chair, Chair GNC, member IC	0	89,579	268,607	3,518	—	358,186
<b>Scott H. Maw</b> Chair ARC	0	73,936	221,362	2,889	—	295,298
<b>Karen J. May</b> Chair CC, member ARC	0	78,005	233,699	3,050	—	311,704
<b>Ines Pöschel</b> Member GNC, CC	95,698	8,445	182,951	2,419	4,987	292,081
<b>Dieter P. Spälti</b> Member ARC	0	15,677	241,342	3,150	4,987	262,006
Total fees paid in 2021 in USD <sup>6</sup>	325,374	635,811	2,481,228	32,490	52,057	3,494,470
Total fees paid in 2021 in CHF <sup>7</sup>	297,499	581,341	2,268,661	32,490	47,597	3,195,099

<sup>1</sup> Board Committees: "ARC" Audit and Risk Committee; "CC" Compensation Committee; "GNC" Governance and Nomination Committee; "IC" Innovation Committee. F. Michael Ball does not receive an additional fee as a member of the GNC.

<sup>2</sup> These amounts represent the values of tax and, if applicable, social security due upon the allocation of shares, which were delivered in cash to the accounts. They were then deducted and paid to the applicable authorities. Further, the amounts include the residual amount of cash resulting from rounding down the number of shares to the next whole share.

<sup>3</sup> The amounts in USD represent the converted value in CHF based on the Alcon shares granted on March 11, 2021 at the closing price of CHF 64.10 per share on the date of grant and on September 3, 2021, at the closing price of CHF 77.24. The shares granted are listed on the SIX Swiss Exchange.

<sup>4</sup> The total number of shares reported were delivered to each Board member in (i) the second installment of the fee in shares in March 2021 (2020 AGM - 2021 AGM), and (ii) the first installment of the fee in shares (term 2021 AGM - 2022 AGM). The second and final installment in shares for the services from the 2021 AGM to the 2022 AGM were delivered in March 2022.

<sup>5</sup> Includes (i) an amount of USD 19,948 for mandatory employer contributions paid by Alcon to governmental social security systems, which provides the relevant members of the Board with a right to the maximum future insured government pension benefit (this amount is a part of total mandatory employer contributions of USD 97,086 to the governmental social security systems) and (ii) USD 32,109 paid to Dr. Cummings (or his related entities) for consulting services, including assistance with clinical trials that Dr. Cummings, as an ophthalmologist, provided to Alcon (these services were unrelated to Dr. Cummings' board service).

<sup>6</sup> All amounts include the payments made and the shares delivered in March 2021 as installment of the fee for the term of office 2020 AGM - 2021 AGM.



<sup>7</sup> The payments in cash were made in Swiss Francs (CHF). For consistency they are reported in USD as all compensation in this 2021 Compensation Report. The amounts in CHF were converted to USD at the exchange rate of 1.0 CHF : 1.093697 USD. All amounts are before deductions of social security contributions and income tax paid by the Board members.

## Share Ownership of the Members of the Board of Directors

The number of Alcon shares held by members of the Board and “persons closely linked” to them as of December 31, 2022 are set out in the Exhibit below. As of this same date, no Board member, either individually or together with “persons closely linked”, owned 1% or more of the outstanding shares of Alcon. The CEO of Alcon and Board member, David J. Endicott, is not included in this Exhibit as his share ownership is disclosed in Exhibit 24.

The number of shares held as of December 31, 2021 is shown for comparison.

### Exhibit 30

Board member	2022 Total shares	2021 Total shares
<b>F. Michael Ball</b>	44,585	33,847
<b>D. Keith Grossman</b>	11,558	7,998
<b>Lynn D. Bleil</b>	8,198	6,729
<b>Raquel C. Bono</b>	1,097	NA
<b>Arthur B. Cummings</b>	4,626	3,429
<b>Thomas H. Glanzmann</b>	16,083	11,835
<b>Scott H. Maw</b>	11,764	8,567
<b>Karen J. May</b>	22,265	19,044
<b>Ines Pöschel</b>	8,712	6,746
<b>Dieter P. Spälti</b>	18,813	16,341
<b>Total</b>	147,701	114,536

## Additional Disclosures

### Loans to Board Members

Alcon's Articles of Incorporation and corporate policies do not permit loans to current or former members of the Board or to persons closely linked to them. No loans were granted in 2022, and none were outstanding as of December 31, 2022.

### Other Payments to Current and Former Board Members

No payments (or waivers of claims) other than those set out in Exhibit 28 (including the related notes) under section "Board compensation FY 2022" were made to current or former Board members or to persons closely linked to them.

### Persons Closely Linked

Persons closely linked to members of the Board are (i) their spouse, (ii) their children below age 18, (iii) any legal entities that they own or otherwise control (iv) any legal or natural person who is acting as their fiduciary or agent and (v) family trusts.



# Outlook for 2023

## Compensation Philosophy and Principles

The Company will continue to adopt a compensation philosophy which:

- Ensures a broadly competitive level of remuneration appropriate to each executive scale of responsibility and individual performance;
- Attracts, retains and motivates a world-class executive team to drive performance;
- Supports long-term value creation for shareholders;
- Considers the geographic and industry-specific nature of our talent pool and the medical device industry;
- Aligns the compensation program for the senior executives with the broader management and employee population;
- Fully embraces Swiss governance expectations and follows principles of simplicity and transparency; and
- Links pay to achievement of ESG objectives through the STI plan.

### Exhibit 31

<b>Pay - for - performance</b>	<ul style="list-style-type: none"><li>• Programs are designed to compensate short-term performance and long-term success</li><li>• Rewards are achieved if financial and non-financial performance metrics are met</li></ul>
<b>Alignment with shareholders</b>	<ul style="list-style-type: none"><li>• A significant part of compensation is delivered in Alcon equity</li><li>• Executives are expected to hold a meaningful level of Alcon shares</li></ul>
<b>Market competitiveness</b>	<ul style="list-style-type: none"><li>• Overall compensation is competitive with other companies in the medical device and other industries in which Alcon competes for talent</li><li>• Total opportunity is targeted at market median</li></ul>
<b>Motivation and retention</b>	<ul style="list-style-type: none"><li>• Compensation is designed to attract, retain and motivate executives to achieve Company objectives</li><li>• Compensation is reviewed periodically to ensure competitiveness and alignment to key strategic objectives</li></ul>

## ECA Compensation

The CC is committed to a strong pay-for-performance framework to align executive compensation with shareholder interests. An anchor point of our philosophy is to offer market competitive compensation closer to the range of the median of our peer group. To achieve this goal, the CC continuously reviews and benchmarks Alcon's compensation against a global peer group (42% European, 58% North American, see "Peer Group" section for details).

The most recent benchmarking conducted in 2022 has shown that the target compensation level for the CEO is significantly below the range that the CC considers acceptable. The Board and CC will continue to monitor the CEO's target compensation against the peer group and make adjustments, as needed, to better align CEO's target compensation closer to the range of the peer group median.

## Board Compensation

In 2022, the Board conducted a benchmarking study of Alcon's Board pay against other Swiss Market Index ("SMI") companies and determined that our Board pay is below the median level of SMI companies. The Board intends to propose compensation changes for the Board Chair and overall Board Pay at the 2023 AGM for the 2023-2024 AGM term. Our Board's pay has not changed in Alcon's history as a public Company.

Overall, the Board compensation framework will remain unchanged for the upcoming term of office from the 2023 AGM to the 2024 AGM (i.e. the same mix of fees payable in cash and shares as in 2022 and the option to elect a higher percentage in shares in lieu of cash.)



## Shareholder Vote at the 2023 AGM

In accordance with Article 29 of the Articles of Incorporation (<http://investor.alcon.com/governance//default.aspx>), the Board will ask shareholders at the 2023 AGM meeting to cast a binding vote on:

- The aggregate amount of compensation payable to non-executive members of the Board for their term of office from the 2023 AGM to the 2024 AGM; and
- The aggregate amount of compensation payable to ECA members in the financial year 2024.

In addition, the Board will ask shareholders to cast an advisory vote on the 2022 Compensation Report.

The procedures of voting on the compensation of ECA members and the Board are defined in our Articles of Incorporation. As of December 31, 2022, our Articles allow for an additional amount of compensation to be used when promoting or adding new members to the ECA.

The Exhibit below depicts the proposal for the 2023 AGM and the respective period of the compensation affected by the vote.

### Exhibit 32

## Compensation Proposals for Shareholder Approval at 2023 AGM

### 1. Board compensation for the upcoming period

- **Binding vote** on total aggregate Board compensation (budget) for the 2023 AGM – 2024 AGM period

### 2. ECA compensation for financial year 2024

- **Binding vote** on total aggregate ECA compensation (budget) for Financial Year 2024

### 3. 2022 Compensation Report

- **Advisory vote** on the 2022 Compensation Report



# REPORT OF THE STATUTORY AUDITOR

## On the Compensation Report of Alcon Inc. to the General Meeting of Alcon Inc., Fribourg

### Opinion

We have audited the compensation report of Alcon Inc. (the Company) for the year ended December 31, 2022. The audit was limited to the information on compensation, loans and advances pursuant to Art. 14 to 16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance) in Exhibits 2 through 4, Exhibit 11, Exhibits 17 through 18, Exhibits 21 through 25 and Exhibits 28 through 30, as well as the additional disclosures on page 99 and page 105 (hereinafter referred to as “disclosures made on the exhibits and pages defined as subject to audit”).

In our opinion, the disclosures made on the exhibits and pages defined as subject to audit of the accompanying Compensation Report of Alcon Inc. complies with Swiss law and articles 14–16 of the Ordinance.

### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the Compensation Report' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the disclosures made on the exhibits and pages defined as subject to audit, the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the compensation report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the compensation report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the compensation report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Board of Directors' responsibilities for the Compensation Report

The Board of Directors is responsible for the preparation of a compensation report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a compensation report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### Auditor's responsibilities for the audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information on compensation, loans and advances pursuant to article 14 to 16 of the Ordinance is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this compensation report.



As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the compensation report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

PricewaterhouseCoopers SA



**Michael Foley**

Audit expert  
Auditor in charge



**Colin Johnson**

Geneva, February 27, 2023



## 6.C. BOARD PRACTICE

# Corporate Governance

## Group Structure and Shareholders

### Operational Group Structure

The Company, with its registered office at Rue Louis-d'Affry 6, 1701 Fribourg, Switzerland, is a corporation organized under Swiss law and is the ultimate parent company of Alcon. As of December 31, 2022, the market capitalization of the Company was \$33.711 billion (CHF 31.070 billion).

Alcon is the global leader in eye care with \$8.7 billion in net sales during the year ended December 31, 2022. We research, develop, manufacture, distribute and sell a full suite of eye care products within two key businesses: Surgical and Vision Care. Our Surgical business is focused on ophthalmic products for cataract surgery, vitreoretinal surgery, refractive laser surgery and glaucoma surgery. Our Vision Care business is comprised of various contact lenses and a comprehensive portfolio of ocular health products, including products for dry eye, glaucoma, contact lens care and ocular allergies, as well as ocular vitamins and redness relievers. Further information is available under "Item 4. Information on the Company" and Note 4 to the Consolidated Financial Statements.

### Listed and Non-listed Companies Belonging to the Alcon Group

The registered shares of the Company are listed on the SIX Swiss Exchange (Valor 43249246 / ISIN code CH0432492467) and the New York Stock Exchange (CUSIP code H01301128). The Company owns directly or indirectly all consolidated entities of Alcon, none of which has its shares otherwise listed.

The following table lists the most significant subsidiaries of the Company, including those entities with total assets or net sales to third parties in excess of 5% of the Company's consolidated total assets or net sales to third parties, as applicable, at December 31, 2022. The referenced share capital may not reflect the taxable share capital and does not include any paid in surplus. Further information regarding the Company's subsidiaries is disclosed in Note 27 of the Consolidated Financial Statements. The combination of the Company's subsidiaries disclosed in the table below and in Note 27 of the Consolidated Financial Statements does not cover all subsidiaries of the Company.

Country of Organization/ Entity Name	Equity Interest	Principal Place of Business	Share Capital
<b>China</b>			
Alcon (China) Ophthalmic Product Co., Ltd.	100%	Beijing	USD 60,000,000
<b>Japan</b>			
Alcon Japan Ltd.	100%	Tokyo	JPY 500,000,000
<b>Switzerland</b>			
Alcon Pharmaceuticals Ltd.	100%	Fribourg	CHF 200,000
<b>United States</b>			
Alcon Finance Corporation	100%	Fort Worth, TX	USD 1
Alcon Laboratories, Inc.	100%	Fort Worth, TX	USD 1
Alcon Research, LLC	100%	Fort Worth, TX	USD 1,000
Alcon Vision, LLC	100%	Fort Worth, TX	USD 1,000



## Significant Shareholders

According to the Alcon share register, the following nominee shareholders held more than 3% of the share capital of Alcon Inc. as of December 31, 2022:

Holder	Number of Shares	Percentage
Chase Nominee Ltd., London (UK)	38,262,800	7.66%
Cede & Co (DTC nominee), New York, NY (USA)	104,529,837	20.92%
Nortrust Nominees Limited, London (UK)	15,595,595	3.12%

In addition, according solely to disclosure of shareholdings notifications filed with (i) Alcon and the SIX Swiss Exchange ("SIX Threshold Notifications") pursuant to the obligations set forth in the Swiss Federal Act on Financial Market Infrastructure and Market Conduct in Securities and Derivatives Trading ("FMIA") and the rules and regulations promulgated thereunder or (ii) the SEC, there are three shareholders that held shares representing at least 3% of the Company's total share capital as of December 31, 2022, but were not registered with the Alcon share register. These shareholders are identified in the table below.

The information required to be included in the SIX Threshold Notifications regarding this shareholder varies from the information required to be included in beneficial ownership statements filed with the SEC ("SEC Notification").

Interested persons can access the relevant SIX Threshold Notifications online at the SIX Swiss Exchange: <https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/>

The below table shows the information available to the Company, based on both notification regimes, with respect to shareholders reported to have significant positions in Alcon's share capital as of December 31, 2022:

Holder	Number of shares and voting rights as per SIX Threshold Notification	Percentage as per SIX Threshold Notification <sup>1</sup>	Number of shares beneficially owned as per SEC Notification <sup>2</sup>	Percentage as per SEC Notification <sup>2</sup>
BlackRock, Inc. c/o BlackRock Investment Management (UK) Limited 12 Throgmorton Ave, London, EC2N 2DL, UK	24,679,231 <sup>3</sup>	5.06 %	32,209,227 <sup>4</sup>	6.6% <sup>4</sup>
T. Rowe Price Associates, Inc. 100 East Pratt Street Baltimore, MD 21202, USA	15,152,288 <sup>5</sup>	3.03%	N/A	N/A
WCM Investment Management, LLC 281 Brooks St Laguna Beach, CA 92651 USA	N/A	N/A	18,489,695 <sup>6</sup>	3.8% <sup>6</sup>

<sup>1</sup> Percentages indicated in this column have been established based on the share capital of the Company registered with the commercial register of the Canton of Fribourg on the date on which the respective disclosure obligation pursuant to the FMIA was triggered. Furthermore, according to the FMIA, this shareholder is required to notify Alcon and the SIX Swiss Exchange only at the time it reaches, exceeds or falls below any of the thresholds set forth in the FMIA; therefore, its shareholding as of December 31, 2022 may differ from the figures indicated as per the contents of the relevant SIX Threshold Notification.

<sup>2</sup> In general, under SEC rules, "beneficial ownership", for the purposes of this column, refers to shares that an entity had the power to vote or the power to dispose of and shares that such entity or individual had the right to acquire within 60 days after December 31, 2022. Information in this column is current as of February 15, 2023.

<sup>3</sup> Based solely on a SIX Threshold Notification dated November 9, 2019. This figure does not include its derivative position.

<sup>4</sup> Based solely on a Schedule 13G filed with the SEC on September 8, 2022.

<sup>5</sup> Based solely on a SIX Threshold Notification dated January 27, 2022.

<sup>6</sup> Based solely on a Schedule 13G filed with the SEC on February 10, 2023.

## Cross-Shareholdings

Neither the Company nor any of its consolidated entities has any shareholdings exceeding 5% of the holdings of capital or voting rights in any entity that also has shareholdings exceeding 5% of the holdings of the capital or voting rights in the Company or any of its consolidated entities.



# Capital Structure

## Share Capital

As of December 31, 2022, the share capital of Alcon Inc. was CHF 19,988,000, fully paid-in and divided into 499,700,000 registered shares, each with a nominal value of CHF 0.04.

## Authorized and Conditional Share Capital

On January 29, 2019, the Company's annual general meeting approved the creation of an authorized share capital. According to this shareholder resolution, the Board was authorized, at any time until January 29, 2021, to increase the Company's share capital by a maximum of CHF 977,400 through the issue of up to 24,435,000 fully paid up new shares of CHF 0.04 nominal value each for the purpose of any share-based incentive or other participation plans, schemes or arrangements for directors, associates or advisors of the Company or its consolidated subsidiaries ("Employees Participation Plans").

The Board resolved on November 19, 2019 to increase the share capital by CHF 120,000 through the issuance of 3,000,000 new registered shares under the authorized share capital in order to comply with Alcon's obligations under the relevant Employees Participation Plans.

On November 10, 2020, the Board resolved to further increase the share capital by CHF 320,000 through the issuance of 8,000,000 new registered shares under the remaining authority available under the authorized share capital, i.e. 21,435,000 shares, in order to comply with Alcon's obligations under the relevant Employees Participation Plans.

The remaining authority to issue new registered shares under the authorized share capital expired on January 29, 2021. As of December 31, 2022, the Company did not have any authorized share capital available.

The Company did not have any conditional share capital available on December 31, 2022.

## Changes in Capital

The Company was formed on September 21, 2018 with a share capital of CHF 100,000 divided into 2,500,000 registered shares with a nominal value of CHF 0.04 each. In view of the contemplated Spin-off, the Company's share capital was increased on January 29, 2019 to CHF 19,548,000 divided into 488,700,000 registered shares with a par value of CHF 0.04 each. Following the two successive increases through the authorized share capital, as described above under "Authorized and Conditional Share Capital", the share capital of the Company was, as of December 31, 2022, CHF 19,988,000 divided into 499,700,000 registered shares.

## Shares, Participation Certificates and Profit-sharing Certificates

The Company has a single class of shares, being registered shares in the form of uncertificated securities (in the sense of the Swiss Code of Obligations). A portion of these uncertificated shares is issued as intermediated securities (*titres intermédiés*) within the meaning of the Swiss Federal Intermediated Securities Act via the settlement system operated by SIX SIS, with the remaining shares directly held through Computershare Trust Company, N.A. in the US (including shares held through Computershare Trust Company, N.A. via DTC). All Alcon shares have equal voting rights and carry equal entitlements to dividends. No participation certificates (*bons de participations*) or profit-sharing certificates (*bons de jouissance*) have been issued.

Based solely upon shares registered in the Alcon share registry, as of December 31, 2022, approximately 17.74% of the Company's total share capital was held in Switzerland by 77,097 registered shareholders.

## Limitations on Transferability and Nominees Registrations

The Articles of Incorporation of the Company do not provide for any limitation on transferability of shares or nominees registration.

## Convertible Bonds and Options

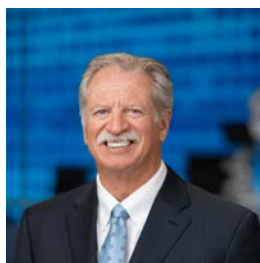
As of December 31, 2022, Alcon did not have any convertible bonds, warrants, options or other securities granting rights to Alcon shares.



# Board of Directors

## Composition

The Board consists of eight to 13 members according to the Articles of Incorporation. As of December 31, 2022, the size of the Board was 11 members and the Board was comprised of the following members (ages listed are as of December 31, 2022):



### F. Michael Ball, Chairman

A seasoned healthcare executive with nearly four decades of experience with global healthcare companies, including nearly a decade as the CEO of medical device and pharmaceutical companies, F. Michael Ball brings extensive executive leadership experience as well as in-depth industry and Alcon-specific knowledge to the Board. He previously held the position of Chief Executive Officer of the Alcon Division and served as a member of the Novartis Executive Committee from February 1, 2016 until June 30, 2018. He previously served as Chief Executive Officer of Hospira, Inc. from 2011 to 2015. Prior to that, Mr. Ball held a number of senior leadership positions at Allergan, Inc., including President from 2006 to 2011. Before joining Allergan, Inc. in 1995, he held roles of increasing responsibility in marketing and sales at Syntex Corporation and Eli Lilly & Co. Mr. Ball served on the board of directors of several organizations, including Kythera Biopharmaceuticals Inc., Hospira, Inc., IntraLase Corp., AdvaMed and sTec, Inc. He began his career in the healthcare industry in 1981. Mr. Ball has been a member of the board of directors of the Ophthalmology Foundation since 2021.

He holds a Bachelor of Science and a Master of Business Administration from Queen's University in Canada.

Key Competencies: Global Business Operations, Healthcare Industry and Marketing

Age: **67**

Citizenship:

**Canada and United States**

Year of initial

appointment:

**2019**

Expiration of current

term of office:

**2023**



### Lynn D. Bleil

An experienced healthcare industry consultant with nearly three decades of experience as a Senior Partner at McKinsey & Company combined with her valuable experience as a director of publicly-held healthcare and life sciences companies, Lynn D. Bleil brings to the Board extensive US and Swiss experience, strategy and leadership. Ms. Bleil has been a member of the boards of directors of Stericycle, Inc. since 2015 (where she chairs the Nominating & Governance Committee), Sonova Holding AG since 2016 and Amicus Therapeutics, Inc. since 2018. She is a former member of the board of directors of DST Systems Inc. and Auspex Pharmaceuticals, Inc. (until their sale to SS&C Technologies Holdings, Inc. and Teva Pharmaceutical Industries, Ltd., respectively). From 1985 through 2013, Ms. Bleil was a Senior Partner at McKinsey & Company.

Ms. Bleil holds a Bachelor of Science in Chemical Engineering from Princeton University and a Master of Business Administration from the Stanford Graduate School of Business, both in the United States.

Key Competencies: Financial, Healthcare Industry and Regulatory/Public Policy

Age: **59**

Citizenship:

**United States**

Year of initial

appointment:

**2019**

Expiration of current

term of office:

**2023**





Age: **65**

Citizenship:  
**United States**

Year of initial  
appointment:  
**2022**

Expiration of current  
term of office:  
**2023**

## **Raquel C. Bono, M.D.<sup>1</sup>**

A board-certified trauma surgeon and retired Vice Admiral, US Navy Medical Corps, Raquel C. Bono, M.D. was the first female three-star admiral in the medical field in the history of the US Navy, as well as the first Asian-American woman promoted to Vice Admiral. Dr. Bono has been Chief Health Officer at Viking, Inc. since November 2020 and a Principal at RCB Consulting since October 2019. From 2015 until October 2019, Dr. Bono served as the Chief Executive Officer and Director for the Defense Health Agency (DHA) where she led a joint, integrated combat support agency that enables all branches of the US military medical services to provide health care services to combatant commands. Before joining the DHA, Dr. Bono spent 25 years in healthcare leadership roles, including a distinguished career in the US Navy where she was honored with the Defense Distinguished Service Medal, three Defense Superior Service Medals, four Legion of Merit Medals, two Meritorious Service Medals and two Navy and Marine Corps Commendation medals. She has served on the board of directors of Humana, Inc. since 2020.

Dr. Bono holds a Bachelor of Arts in Psychology from the University of Texas at Austin, a Master of Business Administration from Washington State University and a Doctor of Medicine from Texas Tech University Health Sciences Center.

Key Competencies: Healthcare Industry, Government Relations and Regulatory/Public Policy

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<sup>1</sup>Dr. Raquel C. Bono was appointed as new member of the Board of Directors of Alcon during the 2022 Annual General Meeting held on April 27, 2022.



Age: **60**

Citizenship:  
**Ireland and South Africa**

Year of initial  
appointment:  
**2019**

Expiration of current  
term of office:  
**2023**

## **Arthur Cummings, M.D.**

As a native of South Africa with a large ophthalmology practice in Ireland whose opinion is frequently sought by innovators in ophthalmology, Arthur Cummings, M.D. brings to the Board an international perspective of a physician entrepreneur and practical first-hand knowledge of the innovation that ophthalmologists seek. Dr. Cummings has been Consultant Ophthalmologist at Beacon Hospital, since 2007, and Owner and Medical Director at Wellington Eye Clinic, since 1998, both in Dublin, Ireland. Also, he has been Owner of Arthur Cummings Eye Clinic Ltd. since 2014.

Dr. Cummings holds a Bachelor of Science in Medicine and Surgery (MB. ChB.) and a Master of Medicine in Ophthalmology (M. Med) from the University of Pretoria, South Africa. Dr. Cummings is a Fellow of the College of Surgeons in South Africa (FCS SA) in Ophthalmology and a Fellow of the Royal College of Surgeons of Edinburgh (FRCSEd) in Ophthalmology.

Key Competencies: Healthcare Industry, Marketing and Technology





Age: **57**

Citizenship:  
**United States**

Year of initial  
appointment:  
**2019**

Expiration of current  
term of office:  
**2023**

## David J. Endicott

A lifelong healthcare executive with leadership experience at global pharmaceutical and medical device companies, David J. Endicott is the Chief Executive Officer of Alcon and brings to the Board an in-depth knowledge of Alcon as well as the healthcare industry. He joined the Alcon Division, when still operating under the Novartis group, in July 2016 as President, Commercial and Innovation, and Chief Operating Officer. Prior to joining the Alcon Division in 2016, Mr. Endicott was President of Hospira Infusion Systems, a Pfizer company. Before joining Hospira, Mr. Endicott served as an officer and executive committee member of Allergan, Inc. where he spent more than 25 years of his career in leadership roles across Europe, Asia and Latin America, as well as the U.S. Mr. Endicott served on the board of directors of Zeltiq, Inc. and Orexigen Therapeutics, Inc. He currently serves on the board of AdvaMed.

He holds an undergraduate degree in Chemistry from Whitman College and a Master's degree in Business Administration from the University of Southern California, both in the United States.

Key Competencies: Global Business Operations, Healthcare Industry and Marketing



Age: **64**

Citizenship:  
**Switzerland**

Year of initial  
appointment:  
**2019**

Expiration of current  
term of office:  
**2023**

## Thomas Glanzmann

Thomas Glanzmann, a venture capital investor with Medtech Ventures Partners where he evaluates and invests in medical device companies, brings those strategic insights and financial and risk management experience to the Board, as well as his decades long experience in the healthcare industry. Thomas Glanzmann is the Founder and has been a Partner at Medtech Ventures Partners since 2017. He was appointed Executive Chairman of Grifols S.A. in 2023. Before that appointment, Mr. Glanzmann served as Vice Chairman since 2017, the President of its Sustainability Committee since 2020 and as a director since 2006. He was President and Chief Executive Officer of Gambro AB from 2006 to 2011 and Chief Executive Officer and Managing Director of HemoCue AB from 2005 to 2006. Mr. Glanzmann was Senior Advisor to the Executive Chairman and Acting Managing Director of the World Economic Forum from 2004 to 2005. From 1988 to 2004, Mr. Glanzmann worked in various positions at Baxter International Inc., including President of Baxter Bioscience, Chief Executive Officer of Immuno International Co., Ltd. and President of Europe Biotech Group. In 2004, he was a Senior Vice President and Corporate Officer of Baxter Healthcare Corporation and Baxter World Trade Corporation.

He holds a Bachelor of Science in Political Science from Dartmouth College in the United States, a Master of Business Administration from the IMD Business School in Switzerland and a Board of Directors Certification from the UCLA Anderson School of Management in the United States.

Key Competencies: Global Business Management, Healthcare Industry and Technology





## D. Keith Grossman

D. Keith Grossman, with nearly 40 years of experience with medical devices and supplies, including as Chief Executive Officer of publicly held medical devices and technology companies, brings to the Board his executive and board leadership experience as well as operational and strategic planning expertise in the healthcare industry. He has been the Chairman, Chief Executive Officer and President of Nevro, Inc. since March 2019. Mr. Grossman intends to retire from his roles as Chief Executive Officer and President of Nevro in 2023 following the selection of his successor. He has also been a member of the board of directors of Outset Medical, Inc. since 2014. He was President and Chief Executive Officer of Thoratec Corporation from 1996 to 2006 and from 2014 to 2015 and was a member of the board of directors from 1996 to 2015. Mr. Grossman was Chief Executive Officer and a member of the board of directors at Conceptus, Inc. from 2011 to 2013. He was Managing Director and Senior Advisor at TPG Capital, L.P. from 2007 to 2011. Mr. Grossman also served as a member of the board of directors of ViewRay, Inc. from 2018 to 2021, Zeltiq, Inc., as Lead Director, from 2013 to 2017, Intuitive Surgical, Inc. from 2004 to 2010 and Kyphon Inc. in 2007 and served on a number of private boards of directors.

Mr. Grossman holds a Bachelor of Science in Animal Sciences from The Ohio State University and Master of Business Administration in Finance from Pepperdine Graziadio Business School at Pepperdine University, both in the United States.

Key Competencies: Healthcare Industry, International Supply Chain and Technology

Age: **62**

Citizenship:  
**United States**

Year of initial  
appointment:  
**2019**

Expiration of current  
term of office:  
**2023**



## Scott Maw

An experienced financial executive with over three decades of experience at global companies, including Chief Financial Officer of Starbucks Corporation, Scott Maw contributes to the Board his extensive understanding of complex financial analysis and reporting and internal controls over financial reporting of a global company. He has been a member of the board of directors of Avista Corporation since 2016, where he is the Chair of the Compensation Committee, and Chipotle Mexican Grill Inc. since 2019, where he is the Lead Independent Director and Chair of the Audit Committee. Mr. Maw is also member of the board of trustees of Gonzaga University. He was a member of the board of directors of Root, Inc. from 2020 until February 2023. Previously, he was Executive Vice President and Chief Financial Officer at Starbucks Corporation from 2014 until the end of 2018, Senior Vice President in Corporate Finance from 2012 to 2013 and Senior Vice President and Global Controller from 2011 to 2012. From 2010 to 2011, he was Senior Vice President and Chief Financial Officer of SeaBright Holdings, Inc. From 2008 to 2010, he was Senior Vice President and Chief Financial Officer of the Consumer Bank at JP Morgan Chase and Company. Prior to this, Mr. Maw held leadership positions in finance at Washington Mutual, Inc. from 2003 to 2008 and GE Capital from 1994 to 2003.

Mr. Maw holds a Bachelor of Business Administration in Accounting from Gonzaga University in the United States.

Key Competencies: Financial, Global Business Operations and Consumer Industry

Age: **55**

Citizenship:  
**United States**

Year of initial  
appointment:  
**2019**

Expiration of current  
term of office:  
**2023**





## Karen May

Karen May, who possesses a unique combination of having been both a financial executive and a human resource executive of global companies, brings to the Board extensive operational, financial and human capital strategy experience. Ms. May has been a member of the board of directors of Ace Hardware Corporation, where she is Chair of the Audit and Finance Committee, since 2017. Previously, Ms. May was on the board of directors of MB Financial, Inc., where she served as Chair of the Compensation Committee until 2019. From 2012 to 2018, she was Executive Vice President and Chief Human Resources Officer at Mondelez International, Inc. (name changed from Kraft Foods, Inc. after the spin-off of select Kraft North American businesses in 2012). From 2005 to 2012, Ms. May was the Executive Vice President and Chief Human Resources Officer of Kraft Foods, Inc. Between 1990 and 2005, she held various positions in Human Resources and Finance at Baxter International Inc., including Corporate Vice President and Chief Human Resources Officer, Vice President, International Finance, and Vice President, Division Controller. Prior to Baxter International Inc., Ms. May was a Certified Public Accountant in the audit practice of Price Waterhouse.

Ms. May holds a Bachelor of Science in Accounting from the University of Illinois in the United States.

Key Competencies: Human Capital Management, Financial and Consumer Industry

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Age: **64**

Citizenship:  
**United States**

Year of initial  
appointment:  
**2019**

Expiration of current  
term of office:  
**2023**



## Ines Pöschel

Ines Pöschel brings to the Board not only her deep experience as a Swiss lawyer, particularly in corporate governance, capital markets and mergers and acquisitions, but her extensive leadership roles in public policy with her appointments on government and public commissions. Ms. Pöschel has been a Partner at Kellerhals Carrard Zurich KIG since 2007. She has been a member of the board of directors of Graubündner Kantonalbank since 2018 and serves on the board of directors of several non-listed Swiss companies. She was a director of Implen AG from 2016 until 2022. Ms. Pöschel is also a member of the Swiss Federal expert commission for commercial register. From 2002 to 2007, Ms. Pöschel was a Senior Associate at Bär & Karrer AG. She was a Senior Manager at Andersen Legal LLC from 1999 to 2002.

Ms. Pöschel has a Master in Law from the University of Zurich in Switzerland, and passed the Swiss Bar Exam in 1996.

Key Competencies: ESG, Legal/Governance and Regulatory/Public Policy

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Age: **54**

Citizenship:  
**Switzerland**

Year of initial  
appointment:  
**2019**

Expiration of current  
term of office:  
**2023**





## Dieter Spälti, Ph.D.

As an executive of Spectrum Value Management Ltd., the family office of an iconic industrial Swiss family, Dr. Spälti has overseen all of its investments for two decades, which allows Dr. Spälti to bring to the Board significant financial and operational experience in addition to his previous consulting experience with numerous industrial, financial and technology firms in Europe, the US and Southeast Asia. Dr. Spälti served as Managing Partner at Spectrum Value Management Ltd., Switzerland from 2002 to 2006, he was then the Chief Executive Officer from 2006 to 2021 and he continues to serve as a member of their board of directors. He was a Vice Chairman and member of the board of directors at Holcim Ltd. from 2003 to 2022 and served, or continues to serve, on the board of directors of various non-listed Swiss and international companies, including several that are controlled by the same beneficial owner. Dr. Spälti was a Partner at McKinsey & Company from 1993 to 2001.

Age: **61**

Citizenship:  
**Switzerland**

Year of initial  
appointment:  
**2019**

Expiration of current  
term of office:  
**2023**

He holds a Ph.D. in Law from the University of Zurich, Switzerland.

Key Competencies: Financial, Legal/Governance and Technology

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## Independence and Executive Function

The independence of Board members is a key element of Alcon's corporate governance framework. Therefore, Alcon has developed a strong set of independence criteria for its board members based on international best practice standards, including the Swiss Code of Best Practices for Corporate Governance and the NYSE standards, which can be found in the Alcon Board Regulations, available under the investor relations portion of the Alcon website (<https://investor.alcon.com/governance/governance/default.aspx>).

The Board assesses the independence of its Board members on a regular basis, at least annually. As of December 31, 2022, all Board members, including the Chair, qualified as independent according to Alcon independence criteria, except for David J. Endicott.

Other than Mr. Endicott, who currently serves as Alcon's Chief Executive Officer, no Board member was a member of the management of the Company or any other Alcon consolidated subsidiary in the last three financial years up to December 31, 2022.

No Board member has a significant business relationship with the Company or with any other Alcon consolidated subsidiary.

Mr. Endicott is an executive member of the Board by reason of his function as Chief Executive Officer of Alcon. All other members of the Board are non-executive directors since none of them carries out operational management tasks within Alcon.

As of December 31, 2022, none of the Board members held any official government functions or political posts.

## Limitations of Number of Mandates

No member of the Board may hold more than ten additional mandates in other companies, of which no more than four shall be in other listed companies. Chairs of the board of directors of other listed companies count as two mandates. Mandates in different legal entities which are under joint control are deemed one mandate. Further details can be found in Article 34 of the Articles of Incorporation, available under <https://investor.alcon.com/governance/governance/default.aspx>.

## Elections and Terms of Office

The Board members, the Chair of the Board and the members of the Compensation Committee shall be elected individually by the General Meeting of Shareholders for a term of office lasting until completion of the next Annual General Meeting of Shareholders.

There is no mandatory term limit for Board members.



The rules in the Articles of Incorporation reflect the statutory legal provisions regarding the appointment of the Chair, the members of the Board, the members of the Compensation Committee and the independent proxy.

## Internal Organizational Structure

### General Principles and Areas of Responsibilities

The Board constitutes itself in compliance with legal requirements and taking into consideration the resolutions of the General Meeting of Shareholders. It shall elect one or two Vice-Chairs. It shall appoint a secretary, who need not be a member of the Board.

The Board is the ultimate governance body of the Company. The Board is led by its independent Chair, F. Michael Ball. Mr. Ball leads the Board in representing the interest of the Company stakeholders. Notably, he (i) provides leadership to the Board, (ii) supports the CEO, (iii) ensures an efficient way of working with the Board's Committees, the CEO and the Executive Committee, (iv) leads the annual performance assessment and (v) ensures an effective communication with the shareholders, other stakeholders and the public.

The Vice Chair is D. Keith Grossman. In this role, Mr. Grossman leads the Board as long as the Chair is incapacitated.

The duties of Mr. Ball and Mr. Grossman in their respective functions are described in more detail in Articles 20 and 21, respectively, of the Alcon Board Regulations (<https://investor.alcon.com/governance/governance/default.aspx>).

The Board is responsible for the duties assigned to it by the Articles of Incorporation and the Alcon Board Regulations, which include the overall direction and supervision of management. It holds the ultimate decision-making authority for Alcon, with the exception of any decisions reserved to the shareholders. In performing its tasks, the Board follows the highest standards of ethics, integrity and governance. It undertakes annually a self-assessment process to evaluate its performance, the performance of its committees and the individual performance of its members.

Within the limits of the law and the Articles of Incorporation, the Alcon Board has delegated certain of its duties to the Executive Committee and the Board's Committees.

### Delegation to the Executive Committee

The Board has delegated to the Executive Committee the management of the business in accordance with the terms set forth in the Alcon Board Regulations. Such delegation has been formalized in Article 12 of the Alcon Board Regulations and further regulated in a set of internal regulations. Under the lead of the Chief Executive Officer, the Executive Committee is responsible for the management of the business and functions as a coordination committee, independent of any legal entity of the Alcon Group. A non-exhaustive list of the duties assigned to the Executive Committee can be found in Article 23 of the Alcon Board Regulations (<https://investor.alcon.com/governance/governance/default.aspx>).

### Delegation to the Board's Committees

The Board's Committees enable the Board to work in an efficient and effective manner, ensuring a thorough review and discussion of matters, while giving the Board more time for deliberation and decision-making. For this purpose, the Board has delegated certain of its duties to each of its four permanent committees: the Audit and Risk Committee, the Compensation Committee, the Governance and Nomination Committee and the Innovation Committee. Details of the duties, responsibilities and decision-making powers of each committee can be found in the respective committee's charter, contained in the Alcon Board Regulations, available under <https://investor.alcon.com/governance/governance/default.aspx>.



In 2022, the composition of the respective Board's Committees was as follows:

Name	Audit and Risk Committee	Compensation Committee	Governance and Nomination Committee	Innovation Committee
<b>F. Michael Ball</b>			Member	
<b>Lynn D. Bleil</b>	Member			Member
<b>Raquel Bono</b>				Member <sup>1</sup>
<b>Arthur Cummings</b>				Member
<b>David J. Endicott</b>				
<b>Thomas Glanzmann</b>		Member	Member	Chair
<b>D. Keith Grossman</b>			Chair	Member
<b>Scott Maw</b>	Chair	Member <sup>2</sup>		
<b>Karen May</b>	Member	Chair		
<b>Ines Pöschel</b>		Member	Member	
<b>Dieter Spälti</b>	Member			

<sup>1</sup> Dr. Raquel Bono has served as a member of the Innovation Committee since her appointment as new member of the Board of Directors of Alcon at the 2022 Annual General Meeting held on April 27, 2022.

<sup>2</sup> Scott Maw has served as a member of the Compensation Committee since his appointment as new member of the Compensation Committee at the 2022 Annual General Meeting held on April 27, 2022.

## Audit and Risk Committee

The Audit and Risk Committee consisted of four members in 2022, all of whom were determined by the Board to be independent and in possession of the financial literacy and accounting or related financial management expertise, as defined in the NYSE standards. The Audit and Risk Committee meets and consults regularly with the management, the Alcon Internal Audit function, the independent external auditors and external consultants. The Audit and Risk Committee regularly reports to the full Board on its decisions and deliberations.

The primary responsibilities of this committee include:

- supervising external auditors and selecting and nominating external auditors for election at the Annual General Meeting of shareholders;
- overseeing internal auditors;
- overseeing accounting policies, financial controls and compliance with accounting and internal control standards;
- approving quarterly financial statements and financial results releases;
- overseeing internal control and compliance processes and procedures;
- overseeing compliance with laws and external and internal regulations;
- ensuring that Alcon has implemented and maintained an appropriate and effective risk management system and process;
- ensuring that all necessary steps are taken to foster a culture of risk-adjusted decision-making without constraining reasonable risk-taking and innovation;
- approving guidelines and reviewing policies and processes; and
- reviewing with management, internal auditors and external auditors the identification, prioritization and management of risks; the accountabilities and roles of the functions involved in risk management; the risk portfolio; and the related actions implemented by management.

## Compensation Committee

The Compensation Committee consisted of four<sup>1</sup> members in 2022, all of whom were determined by the Board to be independent. The Compensation Committee meets and consults regularly with management and external consultants. The Compensation Committee regularly reports to the full Board on its decisions and deliberations.

The primary responsibilities of this committee include:



- developing a compensation philosophy in line with the principles set forth in the Articles of Incorporation and submit to the Board;
- providing oversight for Alcon's human capital strategy, including talent management, ECA members succession planning, diversity and inclusion initiatives and pay equity measures;
- designing, reviewing and recommending to the Board compensation policies and programs;
- reviewing and approving a peer group of companies for executive compensation comparisons;
- advising the Board on the compensation of Directors and the Chief Executive Officer of Alcon;
- determining the compensation of ECA members;
- supporting the Board in preparing the proposals to the General Meeting of Shareholders regarding the compensation of the members of the Board and ECA;
- preparing the annual compensation report and submitting it to the Board for approval;
- establishing executive and director stock ownership guidelines and stock trading policies and monitoring compliance with such policies; and
- overseeing communication and engagement on executive compensation matters with shareholders and their advisors.

<sup>1</sup> Scott Maw has served as a member of the Compensation Committee since his appointment as new member of the Compensation Committee at the 2022 Annual General Meeting held on April 27, 2022.

## Governance and Nomination Committee

The Governance and Nomination Committee consisted of four members in 2022. The Governance and Nomination Committee meets and consults regularly with management and external consultants. The Governance and Nomination Committee regularly reports to the full Board on its decisions and deliberations.

The primary responsibilities of this committee include:

- designing, reviewing and recommending corporate governance principles to the Board;
- overseeing Alcon's strategy and reputation regarding ESG matters (including climate change) and annually approving Alcon's Corporate Responsibility Report;
- establishing criteria and identifying candidates for election as Directors;
- assessing existing Directors and recommending to the Board whether they should stand for re-election;
- developing and reviewing an onboarding program for new Directors and an ongoing education plan for existing Directors;
- reviewing periodically the Articles of Incorporation with a view to reinforcing shareholder rights;
- reviewing periodically the composition and size of the Board and its committees;
- directing periodic assessments of the Board, directors and committees;
- reviewing annually the independence status of each Director; and
- reviewing directorships and agreements of Directors for conflicts of interest and dealing with conflicts of interest.

Alcon is committed to fostering a sustainable business that supports the well-being of our associates, customers, communities, and planet. The ESG objectives of the Alcon Group are integrated into its decision-making to deliver long-term value for all of its stakeholders. ESG is of key importance within the Alcon governance framework and is subject to the oversight of the Board, acting principally through its Governance and Nomination Committee. Under the supervision of the Governance and Nomination Committee, the Alcon ESG Executive Steering Committee, supported by dedicated working groups, is tasked with the identification and management of environmental and social impacts. The implementation of the related strategy and day-to-day activities are conducted by subject matter experts across the enterprise, under the leadership of the Alcon Head of ESG.



<b>Board of Directors</b> Alcon's Board of Directors is responsible for overall ESG strategy					
<b>Governance and Nomination Committee</b> The Governance and Nomination Committee assists the Board in its oversight of our sustainability initiatives					
<b>ESG Executive Steering Committee</b> Executives from across departments, including Corporate Affairs, Human Resources, Innovation, Legal and Compliance, Manufacturing and Global Quality and Regulatory Affairs, oversee ESG topics and are responsible for identifying and managing Alcon's environmental and social impacts					
<b>ESG Working Group</b> Representatives from Philanthropy, Investor Relations, IT and Privacy, Health, Safety and Environment, Human Resources, Legal and Compliance, Market Access, Procurement, Supply Chain, Quality and Research and Development lead our day-to-day work	<b>Social Impact Committee</b> A dedicated committee is responsible for implementing and tracking our social commitments as well as identifying innovative ways to expand access	<b>Alcon Foundation and Alcon Cares</b> Our two charitable foundations provide monetary donations, product and equipment donations and expertise to our partners to help ensure the continuity of eye care in local communities	<b>Global Environmental Sustainability Committee</b> A dedicated committee is focused on setting and achieving environmental goals for Alcon's global operations	<b>Executive Diversity Council</b> Leaders from across major business lines provide guidance and decision-making related to our enterprise diversity and inclusion strategy and executive sponsorship for our employee resource groups	<b>Global Privacy Office</b> A dedicated team headed by Alcon's Global Head of Privacy is responsible for our privacy policies, procedures and compliance

## Innovation Committee

The Innovation Committee consisted of five members<sup>1</sup> in 2022. The Innovation Committee meets and consults regularly with management. The Innovation Committee regularly reports to the full Board on its decisions and deliberations.

The primary responsibilities of this committee include:

- providing counsel to the Board and management in the area of technology, application of technology and new business models;
- reviewing and making recommendations to the Board on internal pipeline and external investments (e.g. potential acquisitions, equity investments, alliances and collaborations) relative to Alcon's business portfolio, forecasted capital and operating capacity during the strategic and operating reviews;
- reviewing, evaluating and advising the Board on the strategic direction and competitiveness of the innovation pipeline through the evaluation of key innovation metrics;
- setting, reviewing, scoring and recommending for approval any innovation metrics/targets that may be incorporated into Alcon's incentive compensation plans applicable to the ECA members;
- assisting the Board with oversight, risk management and evaluation of management's criteria for selecting major new R&D and BD&L projects, assessing progress against major milestones, budget execution and post-launch revenue impact;
- reviewing, discussing and informing the Board of significant emerging science, technology, programs, issues or trends relevant to Alcon; and
- reviewing such other matters in relation to Alcon research and development, technology and innovation programs as the committee may, in its own discretion, deem desirable in connection with its responsibilities.

<sup>1</sup>Dr. Raquel Bono has served as a member of the Innovation Committee since her appointment as new member of the Board of Directors of Alcon at the 2022 Annual General Meeting held on April 27, 2022.



## Frequency, Duration and Attendance of the Meetings of the Board of Directors and its Committees

The Board and its Committees are convened as often as the conduct of the business may require.

In 2022, the Board and its Committees met as follows:

	Board of Directors	Audit and Risk Committee	Compensation Committee	Governance and Nomination Committee	Innovation Committee
Number of meetings	7	9	7	7	5
Approximate average duration <sup>1</sup>	6 hrs 05 min	1 h 40 min	2 hrs 05 min	1 h 30 min	2 hrs
Overall attendance	100 %	97 %	100 %	100 %	100 %

<sup>1</sup>The approximate average duration does not include dinners, lunches or breaks.

During 2022, each Board member attended the meetings of the Board and each Committee on which he or she serves, as represented below:

Meeting attendance	Board of Directors	Audit and Risk Committee	Compensation Committee	Governance and Nomination Committee	Innovation Committee
	Number of Meetings	Number of Meetings	Number of Meetings	Number of Meetings	Number of Meetings
	7	9	7	7	5
<b>F. Michael Ball</b>	7			7	
<b>Lynn D. Bleil</b>	7	8			5
<b>Raquel Bono<sup>1</sup></b>	5				3
<b>Arthur Cummings</b>	7				5
<b>David J. Endicott</b>	7				
<b>Thomas Glanzmann</b>	7		7	7	5
<b>D. Keith Grossman</b>	7			7	5
<b>Scott Maw<sup>2</sup></b>	7	9	4		
<b>Karen May</b>	7	9	7		
<b>Ines Pöschel</b>	7		7	7	
<b>Dieter Spälti</b>	7	9			

<sup>1</sup> Raquel Bono has served as a member of the Board and as a member of the Innovation Committee since her appointment at the 2022 Annual General Meeting held on April 27, 2022.

<sup>2</sup> Scott Maw has served as a member of the Compensation Committee since his appointment as new member of the Compensation Committee at the 2022 Annual General Meeting held on April 27, 2022.

## Board Evaluation and Education

The Governance and Nomination Committee and the Chair of the Board coordinate an annual self-evaluation of the Board and its Committees, which includes individual interviews with the Board Chair and the completion of a confidential survey by Board members. The Chair summarizes for the Board the results of the evaluation, and any findings are appropriately addressed. In addition, each Committee conducts its own self-evaluation annually.

The Board recognizes the value of independent development and learning by its members. Therefore, it established a Director Education Program for its members, the purpose of which is to provide for internal and external speakers on trending topics, experiential learning of Alcon and its industry through site tours and product demonstrations and, at each Board member's option, externally provided coursework. The intent of the Director Education Program is to ensure Board members are well-versed in matters related to Alcon, its business and the rapidly changing corporate governance environment.



## Information and Control System of the Board vis-à-vis the Management

The Board ensures that it receives through several channels sufficient information from the Executive Committee to perform its supervisory duties and to make the decisions that are reserved to it by law, i.e. its non-delegable decisions.

### Information to the Board of Directors

The Alcon Board Regulations confer to the members of the Board the right to have full and unrestricted access to management and employees of the Company and its subsidiaries in the execution of their duties. Also, the Chief Executive Officer regularly informs the Board regarding the performance of the business including risks and potential upsides to the operating plan. The Board and its Committees meet as often as required with the Chief Executive Officer and members of the Executive Committee or other members of the senior management. Further, the Board may invite, in accordance with the Alcon Board Regulations, external advisors to attend board or committee meetings in order to obtain a third party independent perspective on certain topics. Information is further communicated to the Board through regular reports (please refer to the section below “Alcon Management Information System”).

### Alcon Management Information System

The Board receives monthly reports on the financial performance of the Company, including the performance of the Surgical and Vision Care segments. On a quarterly basis, prior to the release of each quarter's results, the Board receives the Consolidated Financial Statement information and an outlook of the full-year results in accordance with IFRS and “core” results together with related commentary.

On an annual basis, the Board receives and approves the financial targets for the fiscal year. Mid-year, the Board meets for a strategic review of the business and approves the strategic plan for the next five years.

Additionally, throughout the year, the Board directly or through its Committees also receives reports on, among other things:

- the enterprise risk management program and risk assessment reports;
- the compliance program;
- the internal audit function;
- manufacturing and technical operations;
- research and development and product pipeline;
- ESG matters;
- organic and inorganic innovation;
- commercial strategies and product launches;
- digital commerce opportunities;
- legal matters;
- competitive developments; and
- industry trends.

In matters of significance, the Board receives direct, immediate information.

### Internal Audit

The purpose of the internal audit function is to review Alcon's financial, operational, information technology and compliance activities to review compliance with laws, regulations and internal policies. It also supports Alcon's efforts to maintain accurate and timely financial reporting while seeking to add value by suggesting improvements to Alcon's operations and to assist Alcon in achieving its strategic and financial objectives. Internal audit is led by the Chief Audit Executive (“CAE”) who functionally reports to the Audit and Risk Committee. The CAE is responsible for the development, review and modification of Alcon's internal audit policies and procedures. The CAE reviews effectiveness and efficiency of the internal control framework with existing policies and regulations and proposes remediation actions where deficiencies were identified. The CAE periodically submits to the Audit and Risk Committee reports on the activities of the internal audit function. In 2022, internal audit was involved in a total of 61 audit engagements. The results and remediation status of these audit engagements are reported to the Audit and Risk Committee on a periodic basis. At the final meeting for the year 2022, the Audit and Risk Committee reviewed and approved the Internal Audit plan for 2023.



## Internal Control System

Alcon's internal control system is designed to provide reasonable assurance to the Board and management regarding the reliability of financial reporting and accounting policies and the preparation and the presentation of the Company's financial statements. In 2022, Alcon's internal controls framework has been fully tested for effectiveness. The Audit and Risk Committee has ultimate responsibility to oversee the adequacy and effectiveness of internal control over financial reporting.

## Risk Management

The Audit and Risk Committee has the responsibility to ensure the implementation of an appropriate and effective risk management system and process and to foster a culture of risk-adjusted decision-making without constraining reasonable risk taking and innovation. It approves guidelines and reviews policies and processes. In addition, the Audit and Risk Committee reviews with management, internal auditors and external auditors, the identification, prioritization and management of the risks, the accountabilities and roles of the functions involved with risk management, the risk portfolio and the related actions implemented by management. The Audit and Risk Committee informs the Executive Committee and the Board on a periodic basis on the risk management system and on the most significant risks and how these are managed. The CAE supports the Audit and Risk Committee and performs appropriate reviews of Alcon's risk management strategy.

Alcon's key risk management tool is the Enterprise Risk Management ("ERM") program, the purpose of which is to help execute on Alcon's strategy within the boundaries of regulations and improve the probability of achieving Alcon's strategic and financial objectives. Alcon's vision is to design a sustainable and appropriately scaled ERM program to proactively manage existing and emerging threats and opportunities to the business. The ERM program aims in particular to provide the business with the following: (i) operation discipline and rigor to enable business continuity, creation and preservation of value, (ii) forums for frequent risk discussions and escalation of relevant items with leadership and (iii) guidance, techniques and support to identify, assess (e.g. likelihood and impact), manage, monitor and report on major risks, including proper mitigation if necessary. The ERM program is under the supervision of a dedicated committee that is comprised of senior members of management and the members of the Audit and Risk Committee.

## Compliance Function

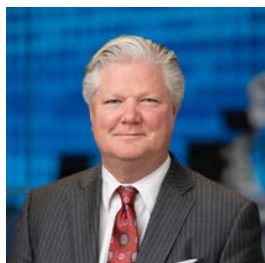
As part of its global control system, Alcon has established a comprehensive global integrity and compliance program, under the supervision of the Audit and Risk Committee. The program is led by the Global Head, Integrity and Compliance under the functional leadership of Alcon's General Counsel and is intended to help prevent, detect and mitigate compliance risk across the organization. The program is built on a culture and expectation of compliance at all levels. The fundamental elements of the program include dedicated resources to address compliance globally, formal compliance governance, a global intake process to receive questions and concerns (including through Alcon's Ethics Helpline), written standards, communications, training, multiple levels of risk-based auditing and monitoring, review of alleged misconduct and corrective/disciplinary actions for violations. The Audit and Risk Committee receives periodic updates on the performance of the Integrity and Compliance program and compliance related matters. The program also includes compliance committees, which have been established at the corporate, regional and country-levels and include participation by the Executive Committee and other senior leadership to provide strategic direction and oversight relating to the management of compliance risks for Alcon. Policies are reviewed and updated on a regular basis to address changes in laws and regulations and to strengthen compliance.



## Executive Committee

### Composition of the Executive Committee

As of December 31, 2022, the Executive Committee of Alcon was composed of the following members (ages listed are as of December 31, 2022):



#### **David J. Endicott, Chief Executive Officer**

Please refer to the biography set forth under "Board of Directors."

Age: **57**

Citizenship:  
**United States**



#### **Laurent Attias, Head Corporate Development, Strategy, Business Development and Licensing (BD&L) and Mergers and Acquisitions (M&A)**

Laurent Attias is Head of Corporate Development, Strategy, BD&L and M&A where he leads the development of long-term strategic plans for the Surgical and Vision Care segments of Alcon and is responsible for Alcon's BD&L, M&A, partnerships and alliance activities, a role which he has held since 2015. Since 1994 when Mr. Attias joined Alcon, he has had various roles with increasing responsibility beginning with positions in Alcon's Sales and Marketing functions and then holding the positions of Vice President, Refractive Sales and Marketing from 2002 to 2007; Vice President/General Manager of Alcon Canada from 2007 to 2009; Vice President, Central & Eastern Europe, Italy and Greece from 2009 to 2010; and President, Europe, Middle East and Africa ("EMEA") from 2010 to 2012. From 2012 to 2015, as Senior Vice President of Global Commercial Franchises, Mr. Attias led all commercial execution and product pipeline activities of Alcon's Surgical, Pharmaceutical and Vision Care franchises.

Mr. Attias holds both a Bachelor of Business Administration in Marketing and a Master of Business Administration from Texas Christian University in the United States.

Age: **55**

Citizenship:  
**France and United States**





Age: **52**

Citizenship:  
**United Kingdom**

## **Ian Bell, President, Global Business & Innovation**

Ian Bell has been the President, Global Business & Innovation since September 2021 where he oversees the development of new products and digital health solutions as well as the Alcon Surgical and Vision Care businesses. From January 2019 until he was appointed to his current role, he was President-International, overseeing the Europe, Russia, Middle East and Africa, Asia Pacific, Japan and Latin America and Caribbean markets. He joined Alcon in March 2016 as President of EMEA. From 2014 until joining Alcon, Mr. Bell served as Corporate Vice President and President of the EMEA region for Hospira. Mr. Bell was Corporate Vice President and President of Allergan, Inc.'s Asia Pacific region, based in Singapore, from 2008 to 2014. Mr. Bell joined Allergan in 2005 as Vice President and Managing Director of its neurosciences division for the EMEA region. He began his career at GlaxoSmithKline, where he held roles of increasing responsibility and scope in sales, marketing and strategy for more than 10 years.

Mr. Bell was awarded the degree of Bachelor of Arts with honors in Economics from the University of York in the United Kingdom.

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Age: **55**

Citizenship:  
**Mexico and United States**

## **Leon Sergio Duplan Fraustro, President North America**

Sergio Duplan has served as President-North America, overseeing the United States and Canada markets since 2015. Mr. Duplan joined Alcon in 2012 and served as Alcon's President of Latin America and Canada for Alcon for three years. Mr. Duplan began his career with Novartis in 2004, as Vice President of Sales in General Medicines, in Mexico then served as Head of Marketing and Sales for Latin America, General Medicines, Pharma from 2006 to 2008 and then Country Pharma Organization Head and Country President of Novartis Mexico from 2008 to 2012. Prior to joining Novartis, Mr. Duplan held several positions of increasing responsibility in Sales, Finance and Country Management at Procter & Gamble and Eli Lilly & Co. He is also currently a board member of The Alcon Foundation and Helen Keller International.

Mr. Duplan holds a Bachelor degree in Industrial Engineering from Universidad Iberoamericana in Mexico and a Master of Business Administration from The Wharton School at the University of Pennsylvania in the United States.

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Age: **64**

Citizenship:  
**United Kingdom and  
United States**

## **Sue-Jean Lin, SVP, Chief Information & Transformation Officer**

Sue-Jean Lin is Senior Vice President, Chief Information and Transformation Officer where she leads the technology initiatives within Alcon and is responsible for leading the development and implementation of Alcon's transformation program. Ms. Lin joined Alcon in August 2018 as Senior Vice President, Chief Information Officer. Prior to joining Alcon, Ms. Lin was Senior Vice President and Chief Information Officer for Hill-Rom Holdings, Inc., a global medical technology company. Prior to joining Hill-Rom in 2016, she spent more than two decades with Allergan, Inc., including as its Senior Vice President and Chief Information Officer, and before that, its Vice President of Finance & Regional Controller (Europe, Middle East, and Africa and Asia Pacific). In 2015, she also served as Interim Executive for Presbyterian Healthcare Services in the capacity of Senior Vice President and Chief Information Officer. She has served on the board of directors of Arcutis Biotherapeutics, Inc. since June 2021.

Ms. Lin holds both a Bachelor's degree in Accounting and a Master's degree in Business Administration from the University of Nevada, Reno. She also completed the Executive Leadership Program from the University of Southern California, Marshall School of Business, and holds a Cybersecurity Oversight certificate from Software Engineering Institute of Carnegie Mellon University.

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Age: **58**

Citizenship:  
**United States**

## **Rajkumar Narayanan, President, International**

Mr. Narayanan has been the President, International since September 2021 where he oversees the Europe, Russia, Middle East and Africa, Asia Pacific, China, Japan, Latin America and Caribbean markets. From April 2019 until he was appointed to his current role, he was Senior Vice President, Operational Strategy and Chief Transformation Officer and was responsible for leading the development and implementation of Alcon's transformation program. He joined Alcon in June 2017 as President Asia Pacific Region from Allergan, Inc., where he worked for 22 years in roles of increasing responsibility, including Senior Vice President Asia Pacific Region from 2014 to 2017; Vice President and Managing Director of the Medical Aesthetic Franchise for Europe Africa and Middle East from 2011 to 2014; and Vice-President, Greater China & Japan from 2008 to 2011. Prior to those roles, Mr. Narayanan was a part of Allergan's Finance function in a number of Country, Region and Corporate Finance roles. Mr. Narayanan started his career in finance with Hindustan Unilever India in 1987.

Mr. Narayanan holds a Bachelor of Science degree in Accounting and Finance from Mumbai University. He is also a Chartered Accountant and a Cost and Works Accountant in India.

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Age: **55**

Citizenship:  
**United States**

## **Tim C. Stonesifer, Chief Financial Officer**

Tim Stonesifer has been the Chief Financial Officer since April 2019. Prior to joining Alcon, he had served as Executive Vice President and Chief Financial Officer at Hewlett Packard Enterprise from November 2015 through September 2018. Prior to that role, Mr. Stonesifer acted as Senior Vice President and Chief Financial Officer, Enterprise Group at HP Co. since 2014. Before joining HP Co., he served as Chief Financial Officer of General Motors' International Operations from 2011 to 2014. Previously, he served as Chief Financial Officer of Alegco Scotsman, a storage company, from 2010 to May 2011; Chief Financial Officer of Sabic Innovative Plastics (formerly GE Plastics) from 2007 to 2010; and various other positions at General Electric since joining the company in 1989.

Mr. Stonesifer holds a Bachelor of Arts in Economics from the University of Michigan in the United States.

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## **Role of the Executive Committee**

The members of the Executive Committee are appointed by the Board. In accordance with the Articles of Incorporation and the Alcon Board Regulations, the Board delegated the responsibility for the management of the business to the Executive Committee, under the lead of the Chief Executive Officer.

The Executive Committee shall in particular (i) develop strategies and policies and implement those upon approval by the Board, (ii) coordinate and monitor the group's functions to achieve the business targets, (iii) ensure the efficient operation of the group, (iv) manage the proper provision and use of capacity and financial and other resources within the group and (v) ensure the development and succession of the senior management.

Alcon has not entered into any management agreements with any third parties pursuant to which Alcon would delegate any business management responsibilities to any such third parties.

As of December 31, 2022, none of the members of the Executive Committee held any official functions or political posts.

## **Limitations of Number of Mandates**

No member of the Executive Committee may hold more than six additional mandates in other companies, of which no more than two additional mandates shall be in other listed companies. Each of these mandates shall be subject to approval by the Board. Members of the Executive Committee are not allowed to hold chairs of the board of directors of other listed companies. Further details can be found in Article 34 of the Articles of Incorporation, available under <https://investor.alcon.com/governance/governance/default.aspx>.

## **Compensation, Shareholdings and Loans**

Please refer to "Item 6.B - Compensation".



# Shareholders' Participations Rights

## Voting-right Restrictions and Representation

Alcon has not imposed any restriction regarding share ownership or voting rights. Nominees shareholdings are not subject to any limitations. The right to vote at Alcon general meetings may only be exercised by a shareholder, usufructuary or nominee who is duly registered in Alcon share register on the record date for the applicable general meeting. Shareholders can be represented at general meetings by the independent proxy or by a third person authorized by written proxy who does not need to be a shareholder. As required by law, shareholders will also be given the opportunity to issue their voting instructions to the independent proxy electronically through an online voting platform.

Each Alcon share has the right to one vote. Shares held by the Company or any of its consolidated subsidiaries are not entitled to vote. Votes are taken either by a show of hands or by electronic voting, unless the General Meeting of Shareholders resolves to have a ballot or where a ballot is ordered by the chairman of the meeting.

## Statutory Quorums

Unless otherwise required by law, the General Meeting passes resolutions and elections with the absolute majority of the votes duly represented.

According to Article 704 of the Swiss Code of Obligation as per December 31, 2022, the following shareholders' resolutions require the approval of at least two thirds of the votes represented at a General Meeting of Shareholders: (1) an alteration of Alcon's corporate purpose; (2) the creation of shares with increased voting powers; (3) an implementation of restrictions on the transfer of registered shares and the removal of such restrictions; (4) an authorized or conditional increase of the share capital; (5) an increase of the share capital by conversion of equity, by contribution in kind, or for the purpose of an acquisition of property or the grant of special rights; (6) a restriction or an exclusion of shareholders' pre-emptive rights; (7) a change of Alcon's registered office; (8) Alcon's dissolution; or (9) any amendment to the Articles of Incorporation which would create or eliminate a supermajority requirement.

Swiss law further provides for a qualified majority for certain special resolutions, such as in case of merger or demerger.

## Convocation of General Meetings

The Annual General Meeting shall be held within six months after the close of the financial year of the Company. According to our Articles of Incorporation, Extraordinary General Meetings may be convened upon request of the Alcon Board, the auditors or one or more shareholders representing in aggregate not less than 10% of the Company's share capital. At least 20 days before the General Meeting, the invitation including the agenda is published in the Swiss Gazette of Commerce and mailed to the registered shareholders.

## Agenda

According to our Articles of Incorporation, one or more Alcon shareholders whose combined shareholdings represent an aggregate nominal value of at least CHF 1 million may demand that an item be included in the agenda of a General Meeting of Shareholders. Such a demand must be made in writing at the latest 45 days before the meeting and shall specify the items and the proposals of such shareholder.

## Registration in the Share Register

The share register of the Company is a non-public register, subject to confidentiality and privacy and data protections imposed on Alcon to protect registered shareholders. Alcon shares can be voted only if their relevant holder is registered in the Alcon share register by the record date determined by the Board. The Articles of Incorporation do not provide for any specific rule regarding the closure of the share register.

## Quiet Periods

The Company has strict internal policies regarding insider trading, in line with applicable regulations and international best practice standards.



Quiet Periods start fourteen days prior to the beginning of the last trading day of each calendar quarter and end following the first full trading day after the date of the release of the quarterly and/or annual results, unless otherwise designated by the Alcon Disclosure Committee. The Company has identified a certain number of Continuing Insiders, i.e. key individuals who may continuously be in possession of material non-public information, that are prohibited from trading in any Alcon securities during Quiet Periods and may trade in any such securities outside of Quiet Periods only with the prior written approval of the Company's corporate legal department.

In addition, Alcon associates may be designated Temporary Insiders in connection with confidential projects. In this capacity, they are prohibited to trade, during a certain period of time defined as a No Trading Period, in any securities of either Alcon or another company in which any such Alcon associate may have acquired material non-public information.

## Changes of Control and Defense Measures

### Duty to Make an Offer

Under the Swiss Financial Market Infrastructure Act, shareholders and groups of shareholders acting in concert who acquire more than 33.3% of Alcon shares would be under an obligation to make an offer to acquire all remaining Alcon shares. Alcon has neither opted out from the mandatory takeover offer obligation nor opted to increase the threshold for mandatory takeover offers in the Articles of Incorporation.

### Clauses on Change of Control

In accordance with the rules of the Ordinance against Excessive Compensation in Listed Companies as per December 31, 2022, Alcon does not provide severance payments upon a change of control or “golden parachute” provisions in its agreements with its Directors, Executive Committee members or other members of senior management. Alcon's Long Term Incentive Plan and Deferred Bonus Stock Plan, each applicable to all employee participants including Executive Committee members, provide for double trigger accelerated vesting of outstanding stock awards in the event a participant leaves the company for “good reason” or Alcon terminates the employee without “cause,” as such terms are defined in the plans, within two years following a change of control. If such a double trigger event occurs, the participant's outstanding unvested awards would vest in full. In the case of Performance Share Units, awards less than 50% vested would vest at target and awards more than 50% vested would vest in accordance with Alcon's actual performance, as determined by the Compensation Committee.

## Auditors

### Duration of the Mandate and Terms of Office of the Auditors

PricewaterhouseCoopers SA, Switzerland (“PwC Switzerland”), has been the statutory auditor of the Company since 2019 and conducts the audit activities required by Swiss law and the related SIX regulations. It was re-elected on April 27, 2022 for a term of one year for the 2022 financial year. Mike Foley has been the auditor in charge of the statutory audit since 2019. Alcon has a policy to rotate the lead audit partner of the statutory auditor at least once every five years.

Separately, on February 9, 2022, the Company appointed PricewaterhouseCoopers LLP, United States (“PwC US”) (PCAOB ID No. 238), for a term of one year, as its independent registered accounting firm to conduct the audit activities required by US law and the related NYSE regulations. PwC US performs the audit from offices located in Fort Worth, Texas. The appointment of PwC US does not require approval of the Company's shareholders.



## Auditing Fees and Additional Fees

The following table sets forth the amount of audit fees, audit-related fees, tax fees and all other fees billed or expected to be billed in aggregate by PwC Switzerland, PwC US and any other member firm of PricewaterhouseCoopers International Limited that rendered audit and related services to any member of Alcon, for the fiscal years ended December 31, 2022 and December 31, 2021:

(\$ millions)	2022	2021
Audit fees	11.0	9.4
Audit related fees	0.4	0.2
Tax fees	0.1	0.1
All other fees	0.2	—
<b>Total</b>	<b>11.7</b>	<b>9.7</b>

*Audit fees* include fees billed for professional services rendered for audits of our annual consolidated and standalone financial statements, reviews of consolidated quarterly financial information and statutory audits of the Company (including in particular the Compensation Report) and our subsidiaries.

*Audit-related fees* include fees billed for assurance and related services such as due diligence, accounting consultations and audits in connection with mergers and acquisitions, employee benefit plan audits, internal control reviews and consultations concerning financial accounting and reporting standards.

*Tax fees* include fees billed for professional services for tax compliance, tax advice and tax planning.

*All other fees* include non-audit and accounting research services.

## Control Measures over the Activities of the Auditors

The Board has delegated to the Audit and Risk Committee the oversight of the activities of the external auditors. The Audit and Risk Committee evaluates on an annual basis the qualifications and performance of our auditors and will determine whether PwC Switzerland should be proposed to the general meeting to stand for re-election. The criteria applicable of the performance assessment of our auditors include professional competence, sufficiency of resources to complete the audit mandate, independence and objectivity, capability to provide effective and pragmatic recommendations and coordination with the Audit and Risk Committee and other functions of the Alcon group, including internal audit.

Upon recommendation of the Audit and Risk Committee, the Board proposed that the shareholders accept the audited Consolidated Financial Statements of the Alcon group and the financial statements of the Company.

The Audit and Risk Committee is further responsible for the compensation of our auditors and pre-approve all auditing services, internal control-related services and non-audit services permitted under applicable statutory law, regulations and listing requirements.

In 2022, our auditors participated in five meetings of the Audit and Risk Committee in order to discuss auditing matters and present the 2022 audit strategy and audit results. In addition, our auditors regularly meet in private session with the Audit and Risk Committee and individually with the Chair of the Audit and Risk Committee. Our auditors provide at least once a year to the Audit and Risk Committee a report regarding (i) the external auditor's internal quality-control procedures, (ii) any material issues raised by quality-control reviews or any inquiry or investigation by governmental or professional authorities, (iii) any step taken to deal with such issues and (iv) all relationships between the external auditor and the Alcon group.

## Information Policy

Alcon is committed to pursuing an open and transparent communication with shareholders, suppliers, customers and other stakeholders. It publishes information in a professional manner in accordance with best practices and legal requirements.



## Investor Relations

Effective communication with shareholders is an important part of Alcon's governance framework. Therefore, the Company is committed to actively engaging with shareholders and keeping them informed about Alcon's business, governance, strategy and performance, in accordance with applicable laws and regulations. Supported by the Investor Relations team, the Chair leads and supervises the annual shareholder outreach initiative, while the CEO and the CFO are responsible for the management of the day-to-day activities necessary to maintain transparent and open shareholder relationships. The Company believes good engagement and dialogue with the financial community is critical in securing support and confidence in management's leadership and Board's governance of Alcon. The Investor Relations team regularly organizes opportunities to learn about the Company through in-person and virtual meetings throughout the year, subject to its quiet period policy.

## Communications

Financial information is published in the form of annual and quarterly financial results, in accordance with internationally recognized accounting standards. Related material, including annual reports, Form 20-Fs, quarterly results releases, investors presentations and conference call webcasts are available on the Alcon website. From time to time, Alcon issues press releases regarding business developments. Investors may subscribe to receive via email distributions providing news and notification about Alcon. The dissemination of material information about business developments is made in accordance with the rules of the SIX and the NYSE.

Information contained in reports and releases may only be deemed accurate in any material respect at the time of the publication. Past releases are not updated to reflect subsequent events.

Alcon's website provides regular information and updates about the Company at [www.alcon.com](http://www.alcon.com). Detailed information regarding certain topics may be found as follows:

Topic	Website
Investor relations	<a href="https://investor.alcon.com">https://investor.alcon.com</a>
Media releases	<a href="https://investor.alcon.com/news-and-events/press-releases/default.aspx">https://investor.alcon.com/news-and-events/press-releases/default.aspx</a>
Leadership	<a href="https://investor.alcon.com/governance/leadership-team/default.aspx">https://investor.alcon.com/governance/leadership-team/default.aspx</a>
Governance	<a href="https://investor.alcon.com/governance/governance/default.aspx">https://investor.alcon.com/governance/governance/default.aspx</a>
Financials	<a href="https://investor.alcon.com/financials/quarterly-results/default.aspx">https://investor.alcon.com/financials/quarterly-results/default.aspx</a>

Any information included on our internet websites or the information that might be accessed through such websites is not included in this Annual Report and is not incorporated into this Annual Report by reference.

## Corporate Responsibility Report

Alcon publishes an annual Corporate Responsibility Report, which describes Alcon's corporate responsibility strategy and highlights Alcon's approach to ESG matters, available at <https://investor.alcon.com/governance/esg/default.aspx>.

## Differences in Corporate Governance Standards

According to the NYSE listing standards on corporate governance, listed foreign private issuers are required to disclose any significant ways in which their corporate governance practices differ from those governance practices that must be followed by NYSE-listed US domestic companies. We briefly summarize those differences in the following paragraphs.

## Responsibility of the Audit Committee with regard to Independent Auditors

Our Audit and Risk Committee is responsible for the compensation, retention and oversight of our independent statutory auditors. It assesses the performance and qualification of our statutory auditors and submits its proposal for appointment, reappointment or removal of our statutory auditors to the full Board. As required by the Swiss Code of Obligations, our Board then submits its proposal to the shareholders for their vote at the Annual General Meeting. In contrast, under NYSE listing standards, the audit committee for US domestic companies is responsible for the appointment of the independent auditors.



## Supervision of the Internal Audit Function

The CFO and the Audit and Risk Committee share the supervisory responsibility with respect to the internal audit function. In contrast, under NYSE standards, only the audit committee supervises the internal audit function.

## Responsibility of the Compensation Committee for Performance Evaluations of Senior Management

In line with Swiss law, our Compensation Committee, together with the Board, proposes for shareholder approval at the Annual General Meeting the maximum aggregate amount of compensation for the Board and the maximum aggregate amount of fixed and variable compensation for the Executive Committee. Our shareholders elect each of the members of the Compensation Committee at the Annual General Meeting. In contrast, under NYSE standards, it is the responsibility of the compensation committee to evaluate senior management performance and to determine and approve, as a committee or together with the other independent directors, the compensation for senior officers and the board. US domestic companies listed on NYSE are only required to provide shareholders a periodic advisory non-binding vote on a company's executive compensation practices.

## Shareholders' Votes on Equity Compensation Plans

Swiss law authorizes the Board to approve equity-based compensation plans. Shareholder approval is only mandatory if equity-based compensation plans require an increase in capital. No shareholder approval is required if shares for issuance under such plans are purchased by the issuer in the open market. In contrast, the NYSE standards require shareholder approval for the establishment of and material revisions to all equity compensation plans.



## 6.D. EMPLOYEES

The table below sets forth the breakdown of the total year-end number of our full-time equivalent employees by main category of activity for the past three years.

	For the year ended December 31,		
	2022	2021	2020
Production & Supply	12,815	12,362	12,237
Marketing & Sales	8,124	7,893	7,450
General & Administration	2,133	2,180	2,087
Research & Development (including support)	2,106	1,954	1,881
<b>Total full-time equivalent employees</b>	<b>25,178</b>	<b>24,389</b>	<b>23,655</b>

Unions or works councils represent a significant number of our associates. We have not experienced any material work stoppages in recent years, and we consider our employee relations to be good.

## 6.E. SHARE OWNERSHIP

The information set forth under “Item 6.B. Compensation” is incorporated by reference. Also, refer to Note 23 to the Consolidated Financial Statements for a discussion of our equity-based compensation programs.



# ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

## 7.A. MAJOR SHAREHOLDERS

The information set forth under “Item 6. Directors, Senior Management and Employees—6.C. Board Practices—Corporate Governance” is incorporated by reference.

## 7.B. RELATED PARTY TRANSACTIONS

None.

## 7.C. INTERESTS OF EXPERTS AND COUNSEL

Not Applicable.



# ITEM 8. FINANCIAL INFORMATION

## 8.A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Please refer to the financial statements beginning on page F-1 of this Annual Report.

### Legal Proceedings

Please refer to Note 18. Provisions and other non-current liabilities of the financial statements beginning on page F-1 of this Annual Report.

### Dividend Policy

Alcon expects that it will continue to recommend to shareholders the payment of a regular annual cash dividend based on the prior year's core net income; however, the declaration, timing and amount, including potential increases, of any dividends will be subject to the approval of our shareholders at a General Meeting. The determination of the Board as to whether to recommend a dividend and the approval of any such proposed dividend by our shareholders will depend upon many factors, including our financial condition, earnings, corporate strategy, capital requirements of our operating subsidiaries, covenants, legal requirements and other factors deemed relevant by the Board and shareholders. For additional information, see "Item 3. Key Information—3.D. Risk Factors—Risks related to the Ownership of our Shares—We may not pay or declare dividends".

For information about deduction of the withholding tax or other duties from dividend payments, see "Item 10. Additional Information—10.E. Taxation—Swiss Taxation—Swiss Residents—Withholding Tax on Dividends" and "Item 10. Additional Information—10.E. Taxation—US Federal Income Taxation—Distributions on the Shares".

### Disclosure pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act (ITRA)

Under Section 13(r) of the Exchange Act, we are required to disclose if we or any of our affiliates knowingly conducted a transaction or dealing with entities or individuals designated pursuant to certain Executive Orders. The US government has designated the Russian Federal Security Service (the "FSB") pursuant to one of those Executive Orders, and the US Department of the Treasury's Office of Foreign Assets Control has accordingly issued Cyber General License No. 1B, which generally permits transactions and activities prohibited by the relevant Executive Order involving the FSB that are necessary and ordinarily incident to requesting, receiving, utilizing, paying for or dealing in licenses, permits, certifications, or notifications issued or registered by the FSB for the importation, distribution, or use of information technology products in Russia.

During 2022, one of our subsidiaries filed notifications with the FSB as required pursuant to Russian encryption product import controls for the purpose of enabling the subsidiary to import and distribute in Russia certain medical devices that make use of encryption functionality. Neither we nor our subsidiaries generated any gross revenues or net profits directly from such approval activity and neither we nor our subsidiaries sell to the FSB. We expect our subsidiary to continue to file notifications with the FSB related to medical devices containing encryption technology as required under Russia law.

## 8.B. SIGNIFICANT CHANGES

A discussion of significant changes in our business can be found under "Item 4. Information on the Company —4.A. History and Development of the Company", "Item 4. Information on the Company — 4.B. Business Overview" and "Item 5. Operating and Financial Review and Prospects — 5.A. Operating Results".



# ITEM 9. THE OFFER AND LISTING

## 9.A. OFFER AND LISTING DETAILS

Alcon Inc. shares are listed on the SIX and the NYSE as global registered shares under the trading ticker “ALC”. As such, they can be traded and transferred across applicable borders, without the need for conversion, with identical shares traded on different stock exchanges in different currencies. During 2022, the average daily trading volume of Alcon Inc. shares was approximately 0.8 million shares on the SIX and approximately 0.9 million shares on the NYSE.

As of the date of this Annual Report, our shares are included in a number of indices, including the “Swiss Market Index”, or SMI, the principal Swiss index published by the SIX. This index contains 20 of the largest and most liquid stocks based on market capitalization and the most active stocks listed on the SIX. The SMI indicates trends in the Swiss stock market as a whole and is one of the most widely followed stock price indices in Switzerland.

## 9.B. PLAN OF DISTRIBUTION

Not Applicable.

## 9.C. MARKETS

See “Item 9.A. Offer and listing Details.”

## 9.D. SELLING SHAREHOLDERS

Not Applicable.

## 9.E. DILUTION

Not Applicable.

## 9.F. EXPENSES OF THE ISSUE

Not Applicable.



# ITEM 10. ADDITIONAL INFORMATION

## 10.A. SHARE CAPITAL

Not Applicable.

## 10.B. MEMORANDUM AND ARTICLES OF ASSOCIATION

We incorporate by reference into this Annual Report the description of our Articles of Incorporation and our Regulations of the Board contained in our Registration Statement on Form 20-F, as amended, initially filed with the SEC on November 13, 2018 (File No. 001-31269).

## 10.C. MATERIAL CONTRACTS

### Revolving Credit Facilities

In connection with the Spin-off, we borrowed an aggregate of approximately \$3.2 billion under the Facilities, including a 364-day bridge loan, a three-year term loan and two five-year term loans. In addition, we entered into the Revolving Facility. We then paid to Novartis approximately \$3.1 billion to satisfy certain intercompany indebtedness owed by Alcon and its subsidiaries to Novartis and its affiliates. Other than the Revolving Facility, none of the facilities are available to us for borrowings. The Revolving Facility remained undrawn as of December 31, 2022.

### 2019 Bond Offering

On September 23, 2019, Alcon Finance Corporation (the “Issuer”), an indirect, wholly owned subsidiary of Alcon, completed an offering of the Initial Notes. The Initial Notes were issued under an Indenture, dated September 23, 2019 (the “Indenture”), by and among the Issuer, Alcon Inc. and Citibank, N.A., as trustee (the “Trustee”). The Initial Notes are senior unsecured obligations of the Issuer and are fully and unconditionally guaranteed on a senior basis by Alcon.

Interest is payable on the Initial Notes on March 23 and September 23 of each year, beginning on March 23, 2020. The Series 2026 Notes will mature on September 23, 2026, the Series 2029 Notes will mature on September 23, 2029 and the Series 2049 Notes will mature on September 23, 2049.

The Issuer may redeem the Series 2026 Notes prior to July 23, 2026 (the date that is two months prior to their maturity date), the Series 2029 Notes prior to June 23, 2029 (the date that is three months prior to their maturity date) or the Series 2049 Notes prior to March 23, 2049 (the date that is six months prior to their maturity date) at a redemption price equal to 100% of the principal amount of the applicable series of Initial Notes plus a “make-whole premium” and accrued and unpaid interest, if any, up to, but excluding, the redemption date. The Issuer may also redeem the Series 2026 Notes on or after the date that is two months prior to their maturity date, the Series 2029 Notes on or after the date that is three months prior to their maturity date or the Series 2049 Notes on or after the date that is six months prior to their maturity date at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

In addition, the Issuer may redeem any series of the Initial Notes at its option, in whole, but not in part, for cash, at any time prior to their respective maturities at a price equal to 100% of the outstanding principal amount of such Initial Notes, plus accrued and unpaid interest, to, but excluding, the redemption date, if certain tax events occur that would obligate the Issuer to pay additional amounts as described in the Indenture.

Subject to certain limitations, in the event of a change of control triggering event, the Issuer will be required to make an offer to purchase each series of the Initial Notes at a price equal to 101% of the principal amount of the Initial Notes, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase.

The Indenture also contains certain limitations on the Issuer’s ability to incur liens, as well as customary events of default.



## 2020 Bond Offering

On May 27, 2020, the Issuer completed an offering of the Series 2030 Notes. The Series 2030 Notes were issued under the same Indenture as the Initial Notes. The Series 2030 Notes are senior unsecured obligations of the Issuer and are fully and unconditionally guaranteed on a senior basis by Alcon.

Interest is payable on the Series 2030 Notes on May 27 and November 27 of each year, beginning on November 27, 2020. The Series 2030 Notes will mature on May 27, 2030.

The Issuer may redeem the Series 2030 Notes prior to February 27, 2030 (the date that is three months prior to their maturity date) at a redemption price equal to 100% of the principal amount of the Series 2030 Notes plus a "make-whole premium" and accrued and unpaid interest, if any, up to, but excluding, the redemption date. The Issuer may also redeem the Series 2030 Notes on or after the date that is three months prior to their maturity date at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

In addition, the Issuer may redeem the Series 2030 Notes at its option, in whole, but not in part, for cash, at any time prior to their respective maturities at a price equal to 100% of the outstanding principal amount of such Series 2030 Notes, plus accrued and unpaid interest, to, but excluding, the redemption date, if certain tax events occur that would obligate the Issuer to pay additional amounts as described in the Indenture.

Subject to certain limitations, in the event of a change of control triggering event, the Issuer will be required to make an offer to purchase the Series 2030 Notes at a price equal to 101% of the principal amount of the Series 2030 Notes, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase.

The Indenture also contains certain limitations on the Issuer's ability to incur liens, as well as customary events of default.

## 2022 European Bond Offering

On May 31, 2022, AFBV completed an offering of the Series 2028 Notes. The Series 2028 Notes are senior unsecured obligations of AFBV and are fully and unconditionally guaranteed on a senior basis by Alcon.

Interest is payable on the Series 2028 Notes on May 31 of each year, beginning on May 31, 2023. The Series 2028 Notes will mature on May 31, 2028.

AFBV may redeem the Series 2028 Notes, prior to March 31, 2028 (the date that is two months prior to their maturity date) at a redemption price equal to 100% of the principal amount of the Series 2028 Notes plus a "make-whole premium" and accrued and unpaid interest, if any, up to but excluding the redemption date. AFBV may also redeem the Series 2028 Notes, in whole, but not in part, on or after the date that is two months prior to their maturity date at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest, if any, up to, but excluding the redemption date. If at any time, eighty percent (80%) or more of the aggregate principal amount of the Series 2028 Notes originally issued has been redeemed, purchased, or cancelled, AFBV may redeem or purchase, in whole, but not in part, the remaining outstanding Series 2028 Notes at the applicable "clean up price" as described in the terms and conditions of the Series 2028 Notes.

In addition, AFBV may redeem the Series 2028 Notes at any time prior to their respective maturities at a price equal to 100% of the outstanding principal amount of such Series 2028 Notes, plus accrued and unpaid interest, up to, but excluding the redemption date, if certain tax events occur that would notably obligate the Issuer to pay additional amounts as described in the terms and conditions of the Series 2028 Notes.

Subject to certain limitations, in the event of a change of control triggering event, AFBV will be required to make an offer to purchase the Series 2028 Notes at a price equal to 100% of the principal amount of the Series 2028 Notes, plus accrued and unpaid interest, if any, up to, but excluding the date of repurchase.

The terms and conditions of the Series 2028 Notes also contain certain limitations on AFBV's ability to incur liens, as well as customary events of default.

## 2022 Bridge Loan Facility

On September 14, 2022, Alcon and the Issuer entered into a facility agreement with J.P. Morgan Securities PLC as arranger, J.P. Morgan Chase Bank, N.A., London Branch as original lender, bookrunner and underwriter, and J.P. Morgan SE as agent (the "2022 Bridge Loan Facility Agreement"). The 2022 Bridge Loan Facility Agreement provided for a \$900 million unsecured term loan facility (the "2022 Bridge Loan Facility") for the purposes of financing or refinancing (i) the consideration payable for the Aerie acquisition, (ii) any existing indebtedness of Aerie and its subsidiaries and (iii) related



fees and expenses in connection with the foregoing. The 2022 Bridge Loan Facility Agreement was an unsecured obligation of the Issuer and was fully guaranteed by Alcon.

Borrowings under the 2022 Bridge Loan Facility bore interest at a rate equal to the aggregate of (i) the secured overnight financing rate as administered by the Federal Reserve Bank of New York, compounded daily in arrears, plus a credit adjustment spread (subject to a zero floor on such aggregate daily rate) and (ii) a margin that steps up from 0.30% to 1.40% based on the length of time elapsed since the completion of the Aerie acquisition.

On November 21, 2022, in connection with the consummation of the Aerie acquisition, \$775 million of the financing commitments of the lenders under the 2022 Bridge Loan Facility were drawn, the proceeds of which were used to finance the equity portion of the consideration payable for the Aerie acquisition. On December 6, 2022, the 2022 Bridge Loan Facility was repaid in full with the proceeds of the 2022 Notes described below. None of the 2022 Bridge Loan Facility remains available to us for borrowings.

## 2022 US Bond Offering

On December 6, 2022, the Issuer completed an offering of the 2022 Notes. The 2022 Notes were issued under the Indenture. The 2022 Notes are senior unsecured obligations of the Issuer and are fully and unconditionally guaranteed on a senior basis by Alcon.

Interest is payable on the 2022 Notes on June 6 and December 6 of each year, beginning on June 6, 2023. The Series 2032 Notes will mature on December 6, 2032 and the Series 2052 Notes will mature on December 6, 2052.

The Issuer may redeem the Series 2032 Notes prior to September 6, 2032 (the date that is three months prior to their maturity date) and the Series 2052 Notes prior to June 6, 2052 (the date that is six months prior to their maturity date) at a redemption price equal to 100% of the principal amount of the applicable series of the 2022 Notes plus a "make-whole premium" and accrued and unpaid interest, if any, up to, but excluding the redemption date. The Issuer may also redeem the Series 2032 Notes on or after the date that is three months prior to their maturity date and the Series 2052 Notes on or after the date that is six months prior to their maturity date at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest, if any, up to, but excluding the redemption date.

In addition, under certain circumstances, the Issuer may redeem any series of the 2022 Notes at its option, in whole, but not in part, for cash, at any time prior to their respective maturities at a price equal to 100% of the outstanding principal amount of such 2022 Notes, plus accrued and unpaid interest, up to, but excluding the redemption date.

Subject to certain limitations, in the event of a change of control triggering event, the Issuer will be required to make an offer to purchase each series of the 2022 Notes at a price equal to 101% of the principal amount of the 2022 Notes, plus accrued and unpaid interest, if any, up to, but excluding the date of repurchase.

The Indenture also contains certain limitations on the Issuer's ability to incur liens, as well as customary events of default.

## Acquisition Agreements

On November 5, 2021, Alcon exercised its option to purchase Ivantis, Inc. pursuant to an Option Agreement and Plan of Merger by and among Alcon Research, LLC, Ithaca Merger Sub, Inc., and Ivantis, Inc., dated as of November 9, 2018 (as subsequently amended, the "Ivantis Merger Agreement"). Pursuant to the Ivantis Merger Agreement, Alcon agreed to pay total upfront consideration of \$475 million and potential contingent payments upon the achievement of certain regulatory and commercial milestones. As a result of the merger, which closed on January 7, 2022, Ivantis, Inc. became a wholly-owned subsidiary of Alcon. The transaction expanded Alcon's Surgical portfolio to include the *Hydrus* microstent, a minimally-invasive glaucoma surgery (MIGS) device for the treatment of mild-to-moderate glaucoma.

On August 22, 2022, Alcon executed an Agreement and Plan of Merger (the "Aerie Merger Agreement") with Aerie Pharmaceuticals, Inc. ("Aerie"). Pursuant to the terms of the Aerie Merger Agreement, Alcon agreed to pay \$15.25 per share to acquire all outstanding shares of Aerie's common stock. The total purchase consideration amounted to \$744 million and total cash paid for the net identifiable assets recognized, net of cash acquired, was \$666 million. Alcon also assumed debt of \$316 million. This transaction was accounted for as a business combination that resulted in goodwill of \$65 million. As a result of the merger, which closed on November 21, 2022, Aerie became a wholly-owned subsidiary of Alcon. This transaction helps bolster Alcon's presence in the ocular health space with its portfolio of commercial products and development pipeline within the Vision Care reportable segment.



## 10.D. EXCHANGE CONTROLS

There are no Swiss governmental laws, decrees or regulations that restrict, in a manner material to Alcon, the export or import of capital, including any foreign exchange controls, or that generally affect the remittance of dividends or other payments to non-residents or non-citizens of Switzerland who hold Alcon shares.

## 10.E. TAXATION

The taxation discussion set forth below is intended only as a general summary and does not purport to be a complete analysis or listing of all potential tax considerations relevant to the ownership or disposition of our shares. The statements of US and Swiss tax laws set forth below are based on the laws and regulations in force as of the date of this Annual Report, including the current Convention Between the United States and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income, entered into force on December 19, 1997 (the "Treaty"), and the US Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, rulings, judicial decisions and administrative pronouncements, all as in effect on the date hereof, and all of which are subject to change (possibly with retroactive effect) and to differing interpretations.

### Swiss Taxation

*The following is a general summary of certain tax consequences relating to owning and disposing of Alcon shares based on the Swiss tax laws and regulations and regulatory practices in force on the date of this Annual Report. Tax consequences are subject to changes in applicable law (or subject to changes in interpretation), including changes that could have a retroactive effect.*

*This is not a complete summary of the potential Swiss tax effects relevant to the Alcon shares nor does the summary take into account or discuss the tax laws of any jurisdiction other than Switzerland. For example, this summary does not address estate, gift, inheritance, capital or wealth taxes. It also does not take into account investors' individual circumstances. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to any particular investor.*

**YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR WITH RESPECT TO ACQUIRING, OWNING AND DISPOSING OF ALCON SHARES.**

### Swiss Residents

#### Withholding Tax on Dividends

Dividends that we pay and any similar cash or in-kind distributions we may make to a holder of our shares (including distributions of liquidation proceeds in excess of the nominal value, stock dividends and, under certain circumstances, proceeds from repurchases of shares by us in excess of the nominal value) are generally subject to a Swiss federal withholding tax (the "Withholding Tax") at a current rate of 35%. Under certain circumstances distributions out of capital contribution reserves made by shareholders after December 31, 1996 are exempt from the Withholding Tax. We are required to withhold this Withholding Tax from the gross distribution and to pay the Withholding Tax to the Swiss Federal Tax Administration. The Withholding Tax is refundable in full to Swiss residents who are the beneficial owners of the taxable distribution at the time it is resolved and duly report the gross distribution received on their personal tax return or in their financial statements for tax purposes, as the case may be.

#### Swiss Transfer Stamp Duty upon Transfer of Securities

The sale of our shares, whether by Swiss residents or Non-resident Holders, may be subject to federal securities Transfer Stamp Duty (*Umsatzabgabe*) of 0.15%, calculated on the gross sale proceeds, if the sale occurs through or with a Swiss bank or other Swiss securities dealer (*Effekthändler*), as defined in the Swiss Federal Stamp Duty Act. The Transfer Stamp Duty has to be paid by the securities dealer and may be charged to the parties in a taxable transaction who are not securities dealers. In addition to this Transfer Stamp Duty, the sale of shares by or through a member of the SIX may be subject to a minor stock exchange levy.

#### Income Tax on Dividends

A Swiss Holder who holds Alcon shares as private assets ("Swiss Resident Private Shareholder") is required to report the receipt of dividends and similar distributions (including stock dividends and liquidation surplus) in its individual income tax returns and is subject to Swiss federal, cantonal and communal income tax on any net taxable income for the relevant tax period.



A Swiss Holder who is Swiss resident for tax purposes, a non-Swiss individual who is subject to Swiss income tax for reasons other than residency and a legal entity tax resident in Switzerland, in each case that holds Alcon shares as business assets, and a non-Swiss tax resident legal entity that holds Alcon shares as part of a Swiss permanent establishment or fixed place of business (each, a "Swiss Resident Commercial Shareholder") is required to recognize dividends and similar distributions (including stock dividends and liquidation surplus) on Alcon shares in its income statement for the relevant taxation period and is subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings for such taxation period. The same tax treatment also applies to a Swiss Holder who, for income tax purposes, is classified as a "professional securities dealer" for reasons of, *inter alia*, frequent dealing, or leveraged investments, in shares and other securities. Swiss Resident Commercial Shareholders who are corporate taxpayers may be eligible for a participation deduction (*Beteiligungsabzug*) in respect of dividends if the Alcon shares held by them as part of a Swiss business have an aggregate market value of at least CHF 1 million.

## Taxes upon Disposition of Alcon Shares

Capital gains realized on the sale or other disposal of Alcon shares held by a Swiss Resident Private Shareholder are generally not subject to any federal, cantonal or communal income taxation. However, gain realized upon a repurchase of shares by us may be characterized as taxable dividend income if certain conditions are met. Capital gains realized on shares held by a Swiss Resident Commercial Shareholder are, in general, included in the taxable income of such person.

## Residents of Other Countries

Recipients of dividends and similar distributions on our shares who are neither residents of Switzerland for tax purposes nor holding shares as part of a business conducted through a permanent establishment situated in Switzerland ("Non-resident Holders") are not subject to Swiss income taxes in respect of such distributions. Moreover, gain realized by such recipients upon the disposal of our shares is not subject to Swiss income tax.

Non-resident Holders of our shares are, however, subject to the Withholding Tax on dividends and similar distributions mentioned above and under certain circumstances to the Transfer Stamp Duty described above. Such Non-resident Holders may be entitled to a partial refund of the Withholding Tax if the country in which they reside has entered into a bilateral treaty for the avoidance of double taxation with Switzerland. Non-resident Holders should be aware that the procedures for claiming treaty refunds (and the time frame required for obtaining a refund) may differ from country to country. Non-resident Holders should consult their own tax advisors regarding the receipt, ownership, purchase, sale or other dispositions of our shares and the procedures for claiming a refund of the Withholding Tax.

A Non-resident Holder of our shares will not be liable for any Swiss taxes other than the Withholding Tax described above and, if the transfer occurs through or with a Swiss bank or other Swiss securities dealer, the Transfer Stamp Duty described above. If, however, the shares of Non-resident Holders can be attributed to a permanent establishment or a fixed place of business maintained by such person within Switzerland during the relevant tax year, the shares may be subject to Swiss income taxes in respect of income and gains realized on the shares and such person may qualify for a full refund of the Withholding Tax based on Swiss tax law.

## Residents of the United States

Non-resident Holders who are residents of the United States for purposes of the Treaty are eligible for a reduced rate of tax on dividends equal to 15% of the dividend, provided that such holders qualify for benefits under the Treaty and do not conduct business through a permanent establishment or fixed base in Switzerland to which our shares are attributable. Such holders should consult their own tax advisors regarding their eligibility to claim the reduced rate and the procedures for claiming a refund of the amount of the Withholding Tax in excess of the 15% Treaty rate.

## International Automatic Exchange of Information in Tax Matters

On November 19, 2014, Switzerland signed the Multilateral Competent Authority Agreement, which is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of automatic exchange of information (the "AEOI"). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the "AEOI Act") entered into force on January 1, 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have been, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of specialty (i.e. the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection. The United States is not a treaty state.



Based on such multilateral agreements and bilateral agreements and the implementing laws of Switzerland, Switzerland has begun to collect data in respect of financial assets (including shares) held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU member state or in a treaty state.

## US Federal Income Taxation

*The following discussion is a summary of the US federal income tax considerations generally applicable to the ownership and disposition of our shares. This summary is based on the Code, its legislative history, US Treasury Regulations, administrative guidance, published court decisions and the Treaty, all in effect as of the date hereof, and any of which may be repealed, revoked, or modified (possibly with retroactive effect) so as to result in US federal income tax consequences different from those discussed below. This summary is applicable to US Holders (as defined below) who are residents of the United States for purposes of the Treaty and who qualify for the full benefits of the Treaty. It applies only to US Holders that hold our shares as capital assets (generally, property held for investment purposes). This summary should not be construed to constitute legal or tax advice to any particular US Holder.*

*This summary does not apply to or address US Holders subject to special rules, including, without limitation, brokers, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, tax-exempt entities (including private foundations), insurance companies, banks, thrifts and other financial institutions, persons liable for alternative minimum tax, persons that hold an interest in an entity that holds our shares, persons that will own, or will have owned, directly, indirectly or constructively 10% or more (by vote or value) of our stock, persons that hold our shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for US federal income tax purposes or persons whose functional currency is not the US dollar.*

*This summary does not purport to be a complete analysis of all of the potential US federal income tax considerations that may be relevant to US Holders in light of their particular circumstances. Further, it does not address any aspect of foreign, state, local or estate or gift taxation or the 3.8% Medicare tax imposed on certain net investment income. **Each US Holder is urged to consult its tax advisor regarding the application of US federal taxation to its particular circumstances and the, state, local, non-US and other tax considerations of the ownership and disposition of our shares.***

### General

For purposes of this discussion, a “US Holder” is a beneficial owner of our shares that is, for US federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity or arrangement treated as a corporation for US federal income tax purposes) created in or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is includable in gross income for US federal income tax purposes regardless of its source; or
- a trust (A) the administration of which is subject to the primary supervision of a US court and which has one or more US persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a US person under the Code.

If a partnership (or other entity or arrangement treated as a partnership for US federal income tax purposes) is a beneficial owner of our shares, the tax treatment of a partner in the partnership that will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our shares and partners in such partnerships are urged to consult their tax advisors as to the particular US federal income tax consequences of an investment in our shares.

### Distributions on the Shares

Subject to the passive foreign investment company (“PFIC”) rules discussed below, the gross amount of any distribution received by a US Holder with respect to our shares (including any amounts withheld to pay Swiss withholding taxes) generally will be included in the gross income of the US Holder as a dividend to the extent attributable to the Company’s current or accumulated earnings and profits, as determined under US federal income tax principles. The Company may not calculate its earnings and profits under US federal income tax rules. Accordingly, US Holders should expect that a distribution generally will be treated as a dividend for US federal income tax purposes. Unless the Company is treated as a PFIC for the taxable year in which it pays a distribution or in the preceding taxable year (see “Passive foreign investment company rules” below), the Company believes that it may qualify as a “qualified foreign corporation,” in which case distributions treated as dividends and received by non-corporate US Holders may be eligible for a preferential tax rate.



Distributions on our shares generally will not be eligible for the dividends received deduction available to US Holders that are corporations.

The amount of any dividend paid in Swiss francs (including any amounts withheld to pay Swiss withholding taxes) will be included in the gross income of a US Holder in an amount equal to the US dollar value of the Swiss francs calculated by reference to the exchange rate in effect on the date the dividend is actually or constructively received by the US Holder, regardless of whether the Swiss francs are converted into US dollars on such date. A US Holder will have a tax basis in the Swiss francs equal to their US dollar value on the date of receipt. If the Swiss francs received are converted into US dollars on the date of receipt, the US Holder generally should not be required to recognize foreign currency gain or loss in respect of the distribution. If the Swiss francs received are not converted into US dollars on the date of receipt, a US Holder may recognize foreign currency gain or loss on a subsequent conversion or other disposition of the Swiss francs. Such gain or loss generally will be treated as US source ordinary income or loss.

A US Holder may be entitled to deduct or credit Swiss withholding tax imposed on dividends paid to a US Holder, subject to applicable limitations in the Code. The rules governing the foreign tax credit are complex. US Holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

## **Sale, Exchange or Other Taxable Disposition of Our Shares**

Subject to the PFIC rules discussed below, a US Holder generally will recognize a capital gain or loss on the sale, exchange or other taxable disposition of our shares in an amount equal to the difference between the amount realized for the shares and the US Holder's adjusted tax basis in the shares. Any capital gain or loss will be long-term capital gain or loss if the ordinary shares have been held for more than one year. Individuals and other non-corporate US Holders who have long-term capital gains will generally be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any capital gain or loss recognized by a US Holder generally will be treated as US source gain or loss for US foreign tax credit purposes.

## **Passive Foreign Investment Company Rules**

A foreign corporation will be considered a PFIC for any taxable year in which (i) 75% or more of its gross income is "passive income" or (ii) 50% or more of the average quarterly value of its assets produce (or are held for the production of) "passive income." For this purpose, "passive income" generally includes interest, dividends, rents, royalties and certain gains. We currently do not believe that we were a PFIC in the taxable year ending December 31, 2022, nor do we anticipate that we will be a PFIC in subsequent taxable years. However, the determination of PFIC status is based on an annual determination that cannot be made until the close of the taxable year, involves extensive factual investigation, including ascertaining the fair market value of all of our assets on a quarterly basis and the character of each item of income that we earn, and is subject to uncertainty in several respects. Accordingly, we cannot assure you that we will not be treated as a PFIC for the taxable year ending December 31, 2022, or any subsequent taxable year, or that the IRS will not take a contrary position.

## **Required Disclosure with Respect to Foreign Financial Assets**

Certain US Holders are required to report information relating to their holding an interest in our shares, subject to certain exceptions (including an exception for shares held in accounts maintained by certain financial institutions), by attaching a completed IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in the shares. US Holders are urged to consult their tax advisors regarding information reporting requirements relating to their ownership of our shares.

## **10.F. DIVIDENDS AND PAYING AGENTS**

Not Applicable.

## **10.G. STATEMENTS BY EXPERTS**

Not Applicable.

## **10.H. DOCUMENTS ON DISPLAY**

We maintain a website at the following address: [www.alcon.com](http://www.alcon.com). The information on our website is not incorporated by reference in this Annual Report. We make available on or through our website certain reports and amendments to those reports that we file with or furnish to the SEC in accordance with the Exchange Act. We make this information available on



our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC.

You may read and copy any reports or other information that we file through the Electronic Data Gathering, Analysis and Retrieval (EDGAR) system through the SEC's website on the Internet at [www.sec.gov](http://www.sec.gov).

We also make certain other documents available to the public (such as our Board committee charters, press releases and investor presentations) on our website ([www.alcon.com](http://www.alcon.com)).

Any statement in this Annual Report about any of our contracts or other documents is not necessarily complete. If the contract or document is filed as an exhibit to this Annual Report, the contract or document is deemed to modify the description contained in this Annual Report. You must review the exhibits themselves for a complete description of the contract or document.

Unless stated otherwise in this Annual Report, none of these documents form part of this Annual Report.

## 10.I. SUBSIDIARY INFORMATION

Not Applicable.

# ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The major financing risks faced by Alcon are managed by the Alcon treasury function. For information about the effects of currency and interest rate fluctuations and how we manage currency and interest risk, see "Item 5. Operating and Financial Review and Prospects—5.A. Operating Results" and "—5.B. Liquidity and Capital Resources". Please also see the information set forth under Note 17 to the Consolidated Financial Statements and related notes included elsewhere in this Annual Report.



# **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

## **12.A. DEBT SECURITIES**

Not Applicable.

## **12.B. WARRANTS AND RIGHTS**

Not Applicable.

## **12.C. OTHER SECURITIES**

Not Applicable.

## **12.D. AMERICAN DEPOSITARY SHARES**

Not Applicable.



## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.



## **ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None.



# ITEM 15. CONTROLS AND PROCEDURES

## Disclosure Controls and Procedures

As of December 31, 2022, the end of the period covered by this Annual Report, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2022, the end of the period covered by this Annual Report, we maintained effective disclosure controls and procedures.

## Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of internal control over financial reporting using the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2022.

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, audited the effectiveness of our internal control over financial reporting. PricewaterhouseCoopers LLP's attestation report on our internal control over financial reporting as of December 31, 2022 is included in Item 18 of this Annual Report.

## Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the fiscal year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board has determined that Lynn D. Bleil, Scott Maw, Karen May and Dieter Spälti, each of whom serves on our Audit and Risk Committee ("ARC"), are independent for purposes of serving on the audit committee under Rule 10A-3 and the listing standards promulgated by the New York Stock Exchange and are audit committee financial experts.

## ITEM 16B. CODE OF ETHICS

Our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer are bound to adhere to our Code of Business Conduct, which applies to all of our associates and members of our Board. Our Code of Business Conduct is available on our website at [www.alcon.com/about-us/responsible-business-practice](http://www.alcon.com/about-us/responsible-business-practice).

## ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information set forth under "Item 6. Directors, Senior Management and Employees—6.C. Board Practices—Corporate Governance—Auditors—Auditing Fees and Additional Fees" is incorporated by reference.

### Policy on Audit and Risk Committee Pre-Approval of Services of Principal Accountant

The Audit and Risk Committee has established a written policy to pre-approve, on an annual basis, all anticipated audit and non-audit services provided by our independent auditors ("Pre-Approval Policy"). These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to 12 months from the date of pre-approval, and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget.

The Pre-Approval Policy provides that the independent auditors may not perform any services for Alcon unless the independent auditors are engaged pursuant to the Pre-Approval Policy. In addition, the Pre-Approval Policy prohibits the Audit and Risk Committee from pre-approving certain non-audit services that are prohibited from being performed by the independent auditors by applicable securities laws. Management is required to periodically report to the Audit and Risk Committee regarding the extent of services provided by the independent auditors. In 2022, all audit-related, tax and other services provided by PwC Switzerland, PwC US and any other firm of PricewaterhouseCoopers International Limited were pre-approved.

In connection with its review and evaluation of non-audit services, the Audit and Risk Committee is required to and does consider and conclude that the provision of the non-audit services is compatible with maintaining the independence of the independent auditor.



## **ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not Applicable.

## **ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

Neither we nor any of our affiliated purchasers purchased any of our Ordinary Shares for the fiscal year ended December 31, 2022.



## **ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not Applicable.

## **ITEM 16G. CORPORATE GOVERNANCE**

The information set forth under "Item 6. Directors, Senior Management and Employees—6.C. Board Practices—Corporate Governance—Differences from Corporate Governance Standards Relevant to US-listed Companies" is incorporated by reference.



## **ITEM 16H. MINE SAFETY DISCLOSURE**

Not Applicable.

## **ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not Applicable.



# **PART III**

## **ITEM 17. FINANCIAL STATEMENTS**

See response to "Item 18. Financial Statements."

## **ITEM 18. FINANCIAL STATEMENTS**

Please refer to the financial statements beginning on page F-1 of this Annual Report.



# ITEM 19. EXHIBITS

Exhibit Number	Description
1.1	<a href="#"><u>Articles of Incorporation of Alcon Inc., as amended December 1, 2020 (English Translation) - incorporated by reference to Exhibit 1.1 to the Annual Report on Form 20-F (File No. 001-31269) filed with the Securities and Exchange Commission on February 23, 2021</u></a>
1.2	<a href="#"><u>Regulations of the Board of Directors of Alcon Inc., as amended May 6, 2020 (English Translation) - incorporated by reference to Exhibit 1.2 to the Annual Report on Form 20-F (File No. 001-31269) filed with the Securities and Exchange Commission on February 23, 2021</u></a>
2.1	<a href="#"><u>Description of rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934</u></a>
2.2	<a href="#"><u>Indenture by and among Alcon Finance Corporation, as Company, Alcon Inc., as Guarantor, and Citibank, N.A., as Trustee, Paying Agent, Authenticating Agent and Registrar, dated September 23, 2019</u></a>
2.3	Other than the indenture described in Exhibit 2.2, the total amount of long-term debt securities authorized under any instrument does not exceed 10% of the total assets of Alcon and its subsidiaries on a consolidated basis. We hereby agree to furnish to the SEC, upon its request, a copy of any instrument defining the rights of holders of long-term debt of Alcon or of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed.
4.11	<a href="#"><u>Facilities Agreement by and among Alcon Inc., as borrower, Bank of America Merrill Lynch International Designated Activity Company, BNP Paribas Fortis SA/NV, Citigroup Global Markets Limited, Morgan Stanley Bank International Limited and UBS AG, London Branch, as joint lead arrangers and joint bookrunners, and Citibank Europe PLC, UK Branch, as agent, dated as of March 6, 2019 - incorporated by reference to Exhibit 4.11 to the Registration Statement on Form 20-F (File No. 001-31269) filed with the Securities and Exchange Commission on March 13, 2019</u></a>
4.12	<a href="#"><u>Alcon Inc. Long Term Incentive Plan, as amended - incorporated by reference to Exhibit 4.12 to the Annual Report on Form 20-F (File No. 001-31269) filed with the Securities and Exchange Commission on February 25, 2020</u></a>
4.13	<a href="#"><u>Alcon Inc. Deferred Bonus Stock Plan, as amended - incorporated by reference to Exhibit 4.13 to the Annual Report on Form 20-F (File No. 001-31269) filed with the Securities and Exchange Commission on February 25, 2020</u></a>
4.14	<a href="#"><u>Alcon Swiss Employee Share Ownership Plan - incorporated by reference to Exhibit 99.3 to the Registration Statement on Form S-8 (File No. 333-230794) filed with the Securities and Exchange Commission on April 10, 2019</u></a>
4.15	<a href="#"><u>Alcon Laboratories Ireland Share Participation Scheme - incorporated by reference to Exhibit 99.4 to the Registration Statement on Form S-8 (File No. 333-230794) filed with the Securities and Exchange Commission on April 10, 2019</u></a>
4.16	<a href="#"><u>Alcon Inc. UK Share Incentive Plan, as amended - incorporated by reference to Exhibit 4.16 to the Annual Report on Form 20-F (File No. 001-31269) filed with the Securities and Exchange Commission on February 23, 2021</u></a>
4.17*	<a href="#"><u>Option Agreement and Plan of Merger by and among Alcon Research, Ltd., Ithaca Merger Sub, Inc., and Ivantis, Inc., dated as of November 9, 2018 - incorporated by reference to Exhibit 4.17 to the Annual Report on Form 20-F (File No. 001-31269) filed with the Securities and Exchange Commission on February 15, 2022</u></a>
4.18*	<a href="#"><u>Amendment No. 1 to Option Agreement and Plan of Merger by and among Alcon Research, LLC, Ithaca Merger Sub, Inc., and Ivantis, Inc., dated as of December 16, 2019 - incorporated by reference to Exhibit 4.18 to the Annual Report on Form 20-F (File No. 001-31269) filed with the Securities and Exchange Commission on February 15, 2022</u></a>
4.19#	<a href="#"><u>Agreement and Plan of Merger by and among Aerie Pharmaceuticals, Inc., Alcon Research, LLC, and Lyon Merger Sub, Inc., dated as of August 22, 2022</u></a>
8.1	For a list of all principal subsidiaries of Alcon Inc., see "Item 18. Financial Statements-Note 27. Alcon subsidiaries".
12.1	<a href="#"><u>Certification of David J. Endicott, Chief Executive Officer of Alcon Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u></a>



12.2	<a href="#"><u>Certification of Timothy C. Stonesifer, Chief Financial Officer of Alcon Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u></a>
13.1	<a href="#"><u>Certification of David J. Endicott, Chief Executive Officer of Alcon Inc., Pursuant to 18 U.S.C Section 1350</u></a>
13.2	<a href="#"><u>Certification of Timothy C. Stonesifer, Chief Financial Officer of Alcon Inc., Pursuant to 18 U.S.C Section 1350</u></a>
15.1	<a href="#"><u>Consent of PricewaterhouseCoopers LLP</u></a>
101.INS	Inline XBRL Instance Document (embedded within Inline XBRL document)
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
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\*Certain portions of this exhibit have been redacted pursuant to Instruction 4(a) as to Exhibits of Form 20-F. The Company agrees to furnish supplementally an unredacted copy of the exhibit to the SEC or its Staff upon request.

#Certain exhibits and schedules have been omitted pursuant to the instructions of Form 20-F.

The SEC maintains an internet site at <http://www.sec.gov> that contains reports and other information regarding issuers that file electronically with the SEC. These SEC filings are also available to the public from commercial document retrieval services.



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# CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC.

## **Audited Consolidated Financial Statements**

Consolidated Income Statement	<a href="#">F-2</a>
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## Consolidated Income Statement

(For the years ended December 31, 2022, 2021 and 2020)

(\$ millions except earnings/(loss) per share)	Note	2022	2021	2020
<b>Net sales to third parties</b>	4	<b>8,654</b>	<b>8,222</b>	<b>6,763</b>
Other revenues	4	63	69	70
<b>Net sales and other revenues</b>		<b>8,717</b>	<b>8,291</b>	<b>6,833</b>
Cost of net sales		(3,910)	(3,577)	(3,830)
Cost of other revenues		(59)	(62)	(63)
<b>Gross profit</b>		<b>4,748</b>	<b>4,652</b>	<b>2,940</b>
Selling, general & administration		(3,068)	(3,076)	(2,694)
Research & development		(702)	(842)	(673)
Other income		36	43	235
Other expense		(342)	(197)	(290)
<b>Operating income/(loss)</b>		<b>672</b>	<b>580</b>	<b>(482)</b>
Interest expense	5	(134)	(120)	(124)
Other financial income & expense	5	(75)	(42)	(29)
<b>Income/(loss) before taxes</b>		<b>463</b>	<b>418</b>	<b>(635)</b>
Taxes	6	(128)	(42)	104
<b>Net income/(loss)</b>		<b>335</b>	<b>376</b>	<b>(531)</b>

Earnings/(loss) per share (\$)				
Basic	7	0.68	0.77	(1.09)
Diluted	7	0.68	0.76	(1.09)

Weighted average number of shares outstanding (millions)				
Basic	7	491.4	490.0	489.0
Diluted	7	494.4	493.4	489.0

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



## Consolidated Statement of Comprehensive Income/(Loss)

(For the years ended December 31, 2022, 2021 and 2020)

(\$ millions)	2022	2021	2020
<b>Net income/(loss)</b>	<b>335</b>	<b>376</b>	<b>(531)</b>
<i>Other comprehensive income to be eventually recycled into the Consolidated Income Statement:</i>			
Currency translation effects, net of taxes <sup>(1)</sup>	(36)	(58)	19
<b>Total of items to eventually recycle</b>	<b>(36)</b>	<b>(58)</b>	<b>19</b>
<i>Other comprehensive income never to be recycled into the Consolidated Income Statement:</i>			
Actuarial gains/(losses) from defined benefit plans, net of taxes <sup>(2)</sup>	141	26	(14)
Fair value adjustments on equity securities, net of taxes <sup>(3)</sup>	(1)	—	(7)
<b>Total of items never to be recycled</b>	<b>140</b>	<b>26</b>	<b>(21)</b>
<b>Total comprehensive income/(loss)</b>	<b>439</b>	<b>344</b>	<b>(533)</b>

(1) Amounts are net of tax expense of \$0.4 million in 2022 and net of tax benefit of \$6 million in 2021.

(2) Amounts are net of tax expense of \$40 million and \$11 million in 2022 and 2021, respectively, and net of tax benefit of \$13 million in 2020.

(3) Amounts are net of tax benefits of \$1 million and \$3 million in 2022 and 2020, respectively.

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



# Consolidated Balance Sheet

(At December 31, 2022 and 2021)

(\$ millions)	Note	2022	2021
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant & equipment	8	4,025	3,711
Right-of-use assets	15	391	372
Goodwill	9	8,970	8,905
Intangible assets other than goodwill	9	9,689	8,765
Deferred tax assets	10	411	409
Financial assets	11	287	217
Other non-current assets	11	243	234
<b>Total non-current assets</b>		<b>24,016</b>	<b>22,613</b>
<b>Current assets</b>			
Inventories	12	2,109	1,899
Trade receivables	13	1,673	1,496
Income tax receivables		13	9
Cash and cash equivalents	17	980	1,575
Other current assets	14	418	407
<b>Total current assets</b>		<b>5,193</b>	<b>5,386</b>
<b>Total assets</b>		<b>29,209</b>	<b>27,999</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	7.1	20	20
Reserves		19,657	19,236
<b>Total equity</b>		<b>19,677</b>	<b>19,256</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial debts	16	4,541	3,966
Lease liabilities	15	359	339
Deferred tax liabilities	10	1,064	1,026
Provisions & other non-current liabilities	18	786	940
<b>Total non-current liabilities</b>		<b>6,750</b>	<b>6,271</b>
<b>Current liabilities</b>			
Trade payables		861	903
Financial debts	16	107	114
Lease liabilities	15	71	67
Current income tax liabilities		219	187
Provisions & other current liabilities	19	1,524	1,201
<b>Total current liabilities</b>		<b>2,782</b>	<b>2,472</b>
<b>Total liabilities</b>		<b>9,532</b>	<b>8,743</b>
<b>Total equity and liabilities</b>		<b>29,209</b>	<b>27,999</b>

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



## Consolidated Statement of Changes in Equity

(For the years ended December 31, 2022, 2021 and 2020)

(\$ millions)	Share capital	Other reserves	adjustments	Fair value on equity securities	Actuarial gains/ (losses) from defined benefit plans	Cumulative currency translation effects	Total value adjustments <sup>(1)</sup>	Equity
<b>Balance as of December 31, 2019</b>	<b>20</b>	<b>19,355</b>		<b>(25)</b>	<b>(72)</b>	<b>25</b>	<b>(72)</b>	<b>19,303</b>
Net (loss)		(531)					—	(531)
Other comprehensive income/(loss)				(7)	(14)	19	(2)	(2)
<b>Total comprehensive (loss)</b>	<b>—</b>	<b>(531)</b>		<b>(7)</b>	<b>(14)</b>	<b>19</b>	<b>(2)</b>	<b>(533)</b>
Equity-based compensation		70					—	70
Other movements <sup>(2)</sup>		5			(23)		(23)	(18)
<b>Total other movements</b>	<b>—</b>	<b>75</b>		<b>—</b>	<b>(23)</b>	<b>—</b>	<b>(23)</b>	<b>52</b>
<b>Balance as of December 31, 2020</b>	<b>20</b>	<b>18,899</b>		<b>(32)</b>	<b>(109)</b>	<b>44</b>	<b>(97)</b>	<b>18,822</b>
Net income		376					—	376
Other comprehensive income/(loss)				—	26	(58)	(32)	(32)
<b>Total comprehensive income</b>	<b>—</b>	<b>376</b>		<b>—</b>	<b>26</b>	<b>(58)</b>	<b>(32)</b>	<b>344</b>
Dividends		(53)					—	(53)
Equity-based compensation		124					—	124
Other movements <sup>(2)</sup>		10			9		9	19
<b>Total other movements</b>	<b>—</b>	<b>81</b>		<b>—</b>	<b>9</b>	<b>—</b>	<b>9</b>	<b>90</b>
<b>Balance as of December 31, 2021</b>	<b>20</b>	<b>19,356</b>		<b>(32)</b>	<b>(74)</b>	<b>(14)</b>	<b>(120)</b>	<b>19,256</b>
Net income		335					—	335
Other comprehensive income/(loss)				(1)	141	(36)	104	104
<b>Total comprehensive income</b>	<b>—</b>	<b>335</b>		<b>(1)</b>	<b>141</b>	<b>(36)</b>	<b>104</b>	<b>439</b>
Dividends		(102)					—	(102)
Equity-based compensation		68					—	68
Other movements <sup>(2)</sup>		16					—	16
<b>Total other movements</b>	<b>—</b>	<b>(18)</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(18)</b>
<b>Balance as of December 31, 2022</b>	<b>20</b>	<b>19,673</b>		<b>(33)</b>	<b>67</b>	<b>(50)</b>	<b>(16)</b>	<b>19,677</b>

(1) "Total value adjustments" are presented net of the corresponding tax effects.

(2) Activity includes hyperinflationary accounting (see Note 2 to the Consolidated Financial Statements). The prior year primarily includes an adjustment to actuarial gains to recognize plan assets related to the separation of a pension plan in the spin-off from Novartis but which were not previously recorded. The year ended December 31, 2020 includes 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 Consolidated Financial Statements.



## Consolidated Statement of Cash Flows

(For the years ended December 31, 2022, 2021 and 2020)

(\$ millions)	Note	2022	2021	2020
<b>Net income/(loss)</b>		<b>335</b>	<b>376</b>	<b>(531)</b>
<i>Adjustments to reconcile net income/(loss) to net cash flows from operating activities</i>				
Depreciation, amortization, impairments and fair value adjustments	20.1	1,111	1,220	1,626
Equity-based compensation expense		140	138	105
Non-cash change in current and non-current provisions and other non-current liabilities		187	57	(106)
Losses on disposal and other adjustments on property, plant & equipment and other non-current assets, net		10	13	42
Interest expense		134	120	124
Other financial income & expense		75	42	29
Taxes		128	42	(104)
Interest received		14	3	5
Interest paid		(111)	(108)	(105)
Other financial payments		(7)	(7)	(5)
Taxes paid		(178)	(175)	(97)
Net cash flows before working capital changes and net payments out of provisions and other non-current liabilities		1,838	1,721	983
Net payments out of provisions and other cash movements in non-current liabilities		(99)	(62)	(115)
Change in net current assets and other operating cash flow items	20.2	(522)	(314)	(45)
<b>Net cash flows from operating activities</b>		<b>1,217</b>	<b>1,345</b>	<b>823</b>
Purchase of property, plant & equipment		(636)	(700)	(479)
Proceeds from sale of property, plant & equipment		—	—	6
Purchase of intangible assets		(109)	(480)	(88)
Purchase of financial assets		(50)	(19)	(11)
Proceeds from financial assets		2	1	—
Proceeds from sale of short-term investments	21.1	79	—	—
Acquisitions of assets, net of cash acquired	21.2	(485)	—	—
Acquisition of business, net of cash acquired	21.1	(666)	—	—
<b>Net cash flows used in investing activities</b>		<b>(1,865)</b>	<b>(1,198)</b>	<b>(572)</b>
Dividends paid to shareholders of Alcon Inc.	7.2	(100)	(54)	—
Proceeds from non-current financial debts, net of issuance costs	20.3	1,815	52	744
Proceeds from 2022 Bridge Loan Facility, net of issuance costs	20.3	771	—	—
Repayment of non-current financial debts	20.3	(1,176)	—	—
Repayment of 2022 Bridge Loan Facility	20.3	(775)	—	—
Repayment of financial debts assumed in acquisition of business	20.3	(316)	—	—
Change in current financial debts	20.3	(42)	(43)	(139)
Lease payments	20.3	(69)	(72)	(69)
Payment of withholding taxes related to equity-based compensation		(50)	(22)	(16)
Other financing cash flows		(66)	16	(54)
<b>Net cash flows (used in)/from financing activities</b>		<b>(8)</b>	<b>(123)</b>	<b>466</b>
Effect of exchange rate changes on cash and cash equivalents		61	(6)	18
<b>Net change in cash and cash equivalents</b>		<b>(595)</b>	<b>18</b>	<b>735</b>
Cash and cash equivalents at January 1		1,575	1,557	822
<b>Cash and cash equivalents at December 31</b>		<b>980</b>	<b>1,575</b>	<b>1,557</b>

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



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC.

## 1. Description of business

Alcon Inc. (the "Company") and the subsidiaries it controls (collectively "Alcon") is a leading eye care company. Alcon is a multinational company specializing in the research, development, manufacturing and marketing of a broad range of eye care products within two businesses: Surgical and Vision Care. Alcon is a stock corporation organized under the laws of Switzerland, domiciled in Fribourg, Switzerland, with global headquarters located in Geneva, Switzerland. The shares of the Company are listed on the SIX Swiss Stock Exchange ("SIX") and on the New York Stock Exchange ("NYSE") under the symbol "ALC".

The Consolidated Financial Statements of Alcon are comprised of the Consolidated Balance Sheet as of December 31, 2022 and 2021 and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income/(Loss), Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for each of the years ended December 31, 2022, 2021 and 2020.

The country of operation and percentage ownership of the legal entities with "Total assets" or "Net sales to third parties" in excess of \$5 million included in the Consolidated Financial Statements are disclosed in Note 27.

## 2. Selected accounting policies

### Basis of preparation

The accompanying Consolidated Financial Statements present our historical financial position, results of operations, comprehensive income/(loss), and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Alcon's principal accounting policies are described in this Note.

### Principles of consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. In the event that the Company has an interest in another entity that is not wholly owned, the assets, liabilities, results of operations and cash flows of such entity are included in the Company's Consolidated Financial Statements, if the Company is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Consolidated Financial Statements of the Company are prepared in accordance with IFRS as issued by the IASB. They are prepared in accordance with the historical cost convention except for items that are required to be accounted for at fair value. All intercompany transactions and accounts within Alcon were eliminated.

The Company's financial year-end is December 31, which is also the annual closing date of the individual entities' financial statements incorporated into the Consolidated Financial Statements.

### Use of estimates and assumptions

The preparation of Consolidated Financial Statements requires management to make certain estimates and assumptions, either at the balance sheet date or during the year that affect the reported amounts of assets and liabilities as well as revenues and expenses. Alcon has analyzed the impact of the war on Ukraine, economic sanctions and export controls on Russia and the COVID-19 pandemic on the Consolidated Financial Statements for the years ended December 31, 2022, 2021 and 2020. Alcon has assessed various accounting estimates and other matters, including those that require consideration of forecasted financial information, in the context of the unknown future impacts of these and other events using information reasonably available to us at this time. The accounting estimates and other matters assessed included, 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 the assessment performed, the resulting provisions recorded were not material to the Consolidated Financial Statements. However, because of the inherent uncertainties of the continuation of the war on Ukraine, COVID-19 or other items, actual outcomes and results may differ materially from management's current assumptions and estimates.



## Foreign currencies

The Consolidated Financial Statements are presented in US dollars ("USD"). The functional currency of individual entities incorporated into the Consolidated Financial Statements is generally the local currency of the respective entity. The functional currency used for the reporting of certain Swiss entities is USD instead of their respective local currencies. This reflects the fact that the cash flows and transactions of these entities are primarily denominated in these currencies.

For entities not operating in hyperinflationary economies, the entities results, financial position and cash flows that do not have USD as their functional currency are translated into USD using the following exchange rates:

- Income, expense and cash flows using for each month the average exchange rate with the USD values for each month being aggregated during the year.
- Balance sheet using year-end exchange rates.
- Resulting exchange rate differences are recognized in other comprehensive income/(loss).

The hyperinflationary economies in which Alcon operates are Argentina, Turkey and Venezuela. Argentina and Venezuela were hyperinflationary for all years presented. Turkey became hyperinflationary effective April 1, 2022, requiring retroactive implementation from January 1, 2022 of hyperinflationary accounting.

The impact of the restatement of the non-monetary assets and liabilities with the general price index at the beginning of the period an economy becomes hyperinflationary is recorded in "Other reserves" in equity. The subsequent gains or losses resulting from the restatement of non-monetary assets and liabilities are recorded in "Other financial income & expense" in the Consolidated Income Statement.

## Acquisition of assets

Assets separately acquired are initially recognized on the balance sheet at cost if they meet the criteria for capitalization. The capitalized cost of the asset includes the purchase price and any directly attributable costs for bringing the asset into the condition to operate as intended. Expected costs for obligations to dismantle and remove property, plant and equipment when it is no longer used are included in their cost.

## Property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Freehold land is not depreciated. The related depreciation expense is included in the costs of the functions using the asset or "Cost of net sales" in the Consolidated Income Statement.

Property, plant and equipment are assessed for impairment at the cash generating unit ("CGU") level whenever there is an indication that the balance sheet carrying amount may not be recoverable using cash flow projections for the useful life.

The following table shows the respective useful lives for property, plant and equipment:

	Useful life
Buildings and improvements	10 to 40 years
Machinery and other equipment	
Machinery and equipment	5 to 20 years
Furniture and vehicles	5 to 10 years
Computer hardware	3 to 7 years

## Business combinations

Effective January 1, 2020, Alcon adopted 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 the Company;
- 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 estimating the fair value of identifiable assets acquired when allocating the purchase consideration paid for the acquisition. The estimates of the fair values involve significant judgment by management and include assumptions with measurement uncertainty such as, the amount and timing of projected cash flows, long-term sales forecasts, the timing and probability of regulatory and commercial success, and the 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.

## Goodwill and intangible assets

The annual impairment testing date is Alcon's financial year-end, December 31.

### Goodwill

Goodwill arises in a business combination and is the excess of the consideration transferred to acquire a business over the underlying fair value of the net identified assets acquired. It is allocated to groups of CGUs which are usually represented by the reportable segments, which are the same as Alcon's operating segments. Goodwill is tested for impairment annually at the level of these groups of CGUs, and any impairment charges are recorded under "Other expense" in the Consolidated Income Statement.

### Intangible assets available for use

Alcon has the following classes of available-for-use intangible assets: Currently marketed products, Marketing know-how, Technologies, Other intangible assets (including computer software) and the Alcon brand name.

Currently marketed products represent the composite value of acquired intellectual property, patents, and distribution rights and product trade names.

Marketing know-how represents the value attributable to the expertise acquired for marketing and distributing Alcon surgical products.

Technologies represent identified and separable acquired know-how used in the research, development and production processes.

Significant investments in internally developed and acquired software are capitalized and included in the "Other" category and amortized once available for use.

The Alcon brand name is shown separately as it is the only Alcon intangible asset that is available for use with an indefinite useful life. Alcon considers it appropriate that the brand name has an indefinite life since the branded products have a history of strong revenue and cash flow performance, and Alcon has the intent and ability to support the brand with spending to maintain its value for the foreseeable future.

Except for the Alcon brand name, intangible assets available for use are amortized over their estimated useful lives on a straight-line basis and evaluated for potential impairment whenever facts and circumstances indicate that their carrying value may not be recoverable. The Alcon brand name is not amortized, but evaluated for potential impairment annually.



The following table shows the respective useful lives for available-for-use intangible assets and the location in the Consolidated Income Statement in which the respective amortization and any potential impairment charge is recognized:

	Useful life	Income statement location for amortization and impairment charges
Currently marketed products	5 to 20 years	"Cost of net sales"
Marketing know-how	25 years	"Cost of net sales"
Technologies	10 to 20 years	"Cost of net sales" or "Research and Development"
Other (including software)	3 to 10 years	In the respective functional expense
Alcon brand name	Not amortized, indefinite useful life	"Other expense"

### Acquired In-Process Research & Development ("IPR&D")

Acquired research and development intangible assets, which are still under development and have accordingly not yet obtained marketing approval, are recognized as IPR&D.

IPR&D is not amortized, but evaluated for potential impairment on an annual basis or when facts and circumstances warrant. IPR&D is considered impaired when its balance sheet carrying amount exceeds its estimated recoverable amount, which is defined as the higher of its fair value less costs of disposal ("FVLCO") and its value in use ("VIU"). Usually, Alcon applies the FVLCO method for its impairment assessments. Under this approach when evaluating IPR&D for potential impairment, FVLCO is 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 values involve significant judgment by management and include assumptions with measurement uncertainty such as, the amount and timing of projected cash flows, long-term sales forecasts, discount rate, and the timing and probability of regulatory and commercial success. In the limited cases where the VIU method would be applied, net present value techniques would be applied using pre-tax cash flows and discount rates.

Any impairment charge is recorded in the Consolidated Income Statement under "Research & development".

Once a project included in IPR&D has been successfully developed it is transferred to the "Currently marketed products" category.

### Impairment of goodwill, Alcon brand name and definite lived intangible assets

A CGU to which goodwill has been allocated (reportable segments) is considered impaired when its carrying amount, including the goodwill, exceeds its recoverable amount, which is defined as the higher of its FVLCO and its VIU. If the recoverable amount of the reportable segment is less than its carrying amount, an impairment loss shall be recognized. The impairment loss shall be allocated to reduce the carrying amount of any goodwill allocated to the reportable segment first, with any remaining impairment loss allocated to other assets of the reportable segment on a pro-rata basis of their carrying amount.

An intangible asset other than goodwill is considered impaired when its balance sheet carrying amount exceeds its estimated recoverable amount, which is defined as the higher of its FVLCO and its VIU. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. Usually, Alcon applies the FVLCO method for its impairment assessment. In most cases, no direct or indirect observable market prices for identical or similar assets are available to measure the FVLCO. Therefore, an estimate of FVLCO is based on net present value techniques utilizing post-tax cash flows and discount rates. In the limited cases where the VIU method would be applied, net present value techniques would be applied using pre-tax cash flows and discount rates.

FVLCO reflects estimates of assumptions that market participants would be expected to use when pricing the asset or CGUs, and for this purpose management considers the range of economic conditions that are expected to exist over the remaining useful life of the asset.



The estimates used in calculating the net present values involve significant judgment by management and include assumptions with measurement uncertainty, such as the following:

- Amount and timing of projected cash flows;
- Long-term sales forecasts for periods of up to 25 years including sales growth rates;
- Royalty rate for the Alcon brand name;
- Terminal growth rate; and
- Discount rate.

Other assumptions used in the net present values calculation include:

- Future tax rate;
- Actions of competitors (launch of competing products, marketing initiatives, etc.); and
- Outcome of R&D activities and forecast of related costs (future product developments).

Generally, for intangible assets with a definite useful life Alcon uses cash flow projections for the whole useful life of these assets. For goodwill and the Alcon brand name, Alcon generally utilizes cash flow projections for a five-year period based on management forecasts, with a terminal value based on cash flow projections considering the long-term expected growth rates and impact of demographic trends of the population to which Alcon products are prescribed, for later periods. Probability-weighted scenarios are typically used.

Discount rates used consider Alcon estimated weighted average cost of capital adjusted for specific country and currency risks associated with cash flow projections to approximate the weighted average cost of capital of a comparable market participant. Actual cash flows and values could vary significantly from forecasted future cash flows and related values derived using net present value techniques.

## Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term and highly liquid investments. Other short-term and highly liquid investments are classified as cash and cash equivalents when original or weighted-average maturities are three months or less and amounts are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. Bank overdrafts are usually presented within current financial debts on the Consolidated Balance Sheet except in cases where a right of offset has been agreed with a bank which then allows for presentation on a net basis.

## Financial assets

Non-current financial assets such as loans and long-term receivables from customers, primarily related to surgical equipment sales arrangements, advances and other deposits, are carried at amortized cost, which reflects the time value of money, less any allowances for uncollectable amounts.

Alcon assesses on a forward-looking basis the expected credit losses associated with its non-current financial assets valued at amortized cost.

For loans, advances and other deposits valued at amortized cost, impairments, which are based on their expected credit losses, and exchange rate losses are included in "Other expense" in the Consolidated Income Statement and exchange rate gains and interest income, using the effective interest rate method, are included in "Other income" in the Consolidated Income Statement.

For long-term receivables from customers, provisions for uncollectable amounts, which are based on their expected credit losses, are recorded as marketing and selling costs recognized in the Consolidated Income Statement within "Selling, general & administration" expenses.

Fund investments are valued at fair value through profit and loss ("FVPL"). Unrealized gains and losses, including exchange gains and losses, are recognized in the Consolidated Income Statement in "Other income" for gains and "Other expense" for losses.

Equity securities and convertible notes receivable held as strategic investments are generally designated at the date of acquisition as financial assets valued at fair value through other comprehensive income ("FVOCI") with no subsequent recycling through profit and loss. Unrealized gains and losses, including exchange gains and losses, are recorded as a fair value adjustment in the Consolidated Statement of Comprehensive Income/(Loss). They are reclassified to "Other reserves" when the equity security is sold. If these equity securities and convertible notes receivable are not designated at the date of acquisition as financial assets valued at FVOCI, they are valued at FVPL, as described above for fund



investments. Changes in fair value of options to acquire development stage companies are charged to research and development expense.

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

## **Inventories**

Inventory is valued at the lower of acquisition or production cost determined on a first-in, first-out basis and net realizable value. This value is used for the "Cost of net sales" and "Cost of other revenues" in the Consolidated Income Statement. Unsalable inventory is fully written off in the Consolidated Income Statement under "Cost of net sales" and "Cost of other revenues".

## **Trade receivables**

Trade receivables are initially recognized at their invoiced amounts, including any related sales taxes less adjustments for estimated revenue deductions such as chargebacks and cash discounts.

Provisions for expected credit losses are established using an expected credit loss model ("ECL"). The provisions are based on a forward-looking ECL, which includes possible default events on the trade receivables over the entire holding period of the trade receivable. These provisions represent the difference between the trade receivable's carrying amount and the estimated net collectible amount. Charges for doubtful trade receivables are recorded as marketing and selling costs recognized in the Consolidated Income Statement within "Selling, general & administration" expenses.

## **Leases**

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

### **Right-of-use assets**

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

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

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

### **Lease liabilities**

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

Lease liabilities are remeasured for changes in estimated lease term, future lease payments arising from a change in an index or rate, amounts expected to be payable under a residual value guarantee, or in assessment of whether Alcon will exercise a purchase, extension or termination option. Changes to initial lease contract terms are assessed to determine their impact on the scope of lease, and any modifications increasing the scope of the lease are treated as new contracts



under the initial measurement principles, while modifications that do not increase or that decrease the scope of the lease result in an adjustment to the right-of-use asset which is remeasured as of the date of the modification.

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

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the Consolidated Income Statement and are classified as cash flows from operating activities.

## Legal liabilities

Alcon is subject to contingencies arising in the ordinary course of business such as patent litigation and other product-related litigation, commercial litigation, and governmental investigations and proceedings. Provisions are recorded where a reliable estimate can be made of the probable outcome of legal or other disputes.

## Contingent consideration

In a business combination, it is necessary to recognize contingent future payments to previous owners representing contractually defined potential amounts as a liability. Usually for Alcon, these are linked to development or commercial milestones related to certain assets and are recognized as a financial liability at their fair value, which is then re-measured at each subsequent reporting date.

For the determination of the fair value of a contingent consideration, various unobservable inputs are used. A change in these inputs might result in a significantly higher or lower fair value measurement. The inputs used are, among others, the timing and probability of regulatory and commercial success, sales forecast and assumptions regarding the discount rate, timing and different scenarios of triggering events. The significance and usage of these inputs to each contingent consideration may vary due to differences in the timing and triggering events for payments or in the nature of the asset related to the contingent consideration. These estimations typically depend on factors such as technical milestones or market performance and are adjusted for the probability of their likelihood of payment, and if material, appropriately discounted to reflect the impact of time.

Changes in the fair value of contingent consideration liabilities in subsequent periods are recognized in the Consolidated Income Statement in "Cost of net sales" for currently marketed products and in "Research & development" for IPR&D.

The effect of unwinding the discount over time is recognized in "Interest expense" in the Consolidated Income Statement.

Alcon accounts for variable or contingent consideration associated with asset acquisitions using the cost accumulation model. At the date of the asset acquisition, the intangible asset is initially recognized at the amount paid. Variable payments are subsequently capitalized as part of the cost of the asset when paid, on the basis that such payments represent the direct cost of acquisition.

## Defined benefit pension plans and other post-employment benefits

The liability or asset recognized in the balance sheet in respect of defined benefit pension plans and other post-employment benefits is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating the terms of the related obligation. In countries where there is no sufficient market for such bonds, the market rates on government bonds are used.

The current service cost for such post-employment benefit plans is included in the personnel expenses of the various functions where the associates are employed. The net interest on the net defined benefit liability is recognized as "Other expense" or "Other income". The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. Past service cost is recognized as "Other expense" or "Other income" in the Consolidated Income Statement for the change in the present value of a defined benefit obligation for employee service in prior periods resulting from a plan amendment or a curtailment.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income/(loss).



## Defined contribution plans

For defined contribution plans, Alcon contributes to publicly or privately administered plans. Alcon has no further payment obligations once the contributions have been paid. The contributions are included in the personnel expenses of the various functions where the associates are employed.

## Financial debts

Financial debts are initially recognized at fair value, net of transaction costs incurred. Financial debts are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs and discounts) and the redemption amount is recognized in the Consolidated Income Statement over the period of the financial debts using the effective interest method. Fees paid on the establishment of credit facilities are recognized as transaction costs of the financial debt to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates, and is recognized in "Other financial income & expense" in the Consolidated Income Statement.

Financial debts are derecognized from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial debt that has been extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in "Other financial income & expense" in the Consolidated Income Statement.

Interest paid on financial debts is classified as operating activities in the Consolidated Statement of Cash Flows. Financial debts are classified as current liabilities unless Alcon has an unconditional right and intent to defer the settlement of the liability for at least twelve months after the reporting period.

## Revenue

### Net sales to third parties

Revenue on the sale of Alcon products and services, which is recorded as "Net sales to third parties" in the Consolidated Income Statement, is recognized when a contractual promise to a customer (i.e., a performance obligation) has been fulfilled by transferring control over the promised goods and services to the customer, substantially all of which is at the point in time of shipment to or receipt of the products by the customer or when the services are performed. If contracts contain customer acceptance provisions, revenue would be recognized upon the satisfaction of acceptance criteria. The amount of revenue to be recognized is based on the consideration Alcon expects to receive in exchange for its goods and services. If a contract contains more than one performance obligation, the consideration is allocated based on the relative standalone selling price of each performance obligation.

Surgical equipment may be sold together with other products and services under a single contract and may be structured as an outright cash sale, an installment sale, or lease. Surgical equipment installment sales and leases have a fixed payment amount which the customer may pay either in fixed intervals or as the customer purchases consumables and/or implantables. Revenues are recognized upon satisfaction of each of the performance obligations in the contract and the consideration is allocated based on the relative standalone selling price of each performance obligation.

- Surgical equipment revenue from outright cash sales and installment sales arrangements is recognized at the point in time when control is transferred to the customer. The current portion of long-term receivables from customers and long-term receivables from customers for installment sales arrangements are recorded in "Other current assets" (see "Current portion of long-term receivables from customers" in Note 14 of these Consolidated Financial Statements) and "Financial assets" (see "Long-term receivables from customers" in Note 11 of these Consolidated Financial Statements), respectively. Financing income for installment sales arrangements longer than twelve months is recognized over the term of the arrangement in "Other income". Alcon applies the practical expedient under IFRS 15 to installment sales arrangements that are twelve months or less in duration.
- In addition to cash and installment sales, revenue is recognized under finance and operating lease arrangements. Leases in which Alcon transfers substantially all the risks and rewards incidental to ownership to the customer are treated as finance lease arrangements. Revenue from finance lease arrangements is recognized at amounts equal to the fair value of the equipment, which approximates the present value of the minimum lease payments under the arrangements. As interest rates embedded in lease arrangements are approximately market rates, revenue under finance lease arrangements is comparable to revenue for outright sales. Finance income for arrangements longer than twelve months is deferred and subsequently recognized based on a pattern that approximates the



use of the effective interest method and recorded in "Other income". Operating lease revenue for equipment rentals is recognized on a straight-line basis over the lease term in "Net sales to third parties".

The consideration Alcon receives in exchange for its goods or services may be fixed or variable. Variable consideration is only recognized when it is highly probable that a significant reversal of cumulative sales will not occur. The most common elements of variable consideration are listed below:

- Rebates and discounts granted to government agencies, wholesalers, retail pharmacies, managed health-care organizations and other customers, estimated payments for Medicare Part D prescription drug program coverage gap (commonly called the "donut hole"), patient co-pay program coupon utilization, as well as chargebacks are provisioned and recorded as a deduction from revenue at the time the related revenues are recorded or when the incentives are offered. They are calculated on the basis of historical experience, regulations, the specific terms in the individual agreements, product pricing, channels and payors.
- Cash discounts are offered to customers to encourage prompt payment and are provisioned and recorded as revenue deductions at the time the related sales are recorded.
- Sales returns provisions are recognized and recorded as revenue deductions when there is historical experience of Alcon agreeing to customer returns and Alcon can reasonably estimate expected future returns. In doing so, the estimated rate of return is applied, determined based on historical experience of customer returns and considering any other relevant factors. This is applied to the amounts invoiced, also considering the amount of returned products to be destroyed versus products that can be placed back in inventory for resale. Where shipments are made on a re-sale or return basis, without sufficient historical experience for estimating sales returns, revenue is only recorded when there is evidence of consumption or when the right of return has expired.

Provisions for revenue deductions are adjusted to actual amounts as rebates, discounts, chargebacks, payment for Medicare Part D prescription drug program, patient co-pay program coupon utilization and returns are processed. The provision represents estimates of the related obligations, requiring the use of judgment when estimating the effect of these sales deductions.

### Other revenues

"Other revenues" include revenue from contract manufacturing services which are recognized over time as the service obligations are completed and third party royalty income. Associated costs for contract manufacturing services are recognized in "Cost of other revenues".

### Research & development

Internal research & development ("R&D") costs are fully charged to "Research & development" in the Consolidated Income Statement in the period in which they are incurred. Alcon considers that regulatory and other uncertainties inherent in the development of new products preclude the capitalization of internal development expenses as an intangible asset until marketing approval from a regulatory authority is obtained in a major market such as the United States, the European Union, Switzerland, China or Japan.

Payments made to third parties to in-license or acquire intellectual property rights and products, including initial upfront and subsequent milestone payments, are capitalized as intangible assets. If additional payments are made to the originator company to continue to perform R&D activities, an evaluation is made as to the nature of the payments. Such additional payments will be expensed if they are deemed to be compensation for subcontracted R&D services not resulting in an additional transfer of intellectual property rights to Alcon. Such additional payments will be capitalized if they are deemed to be compensation for the transfer to Alcon of additional intellectual property developed at the risk of the originator company. Subsequent internal R&D costs in relation to IPR&D and other assets are expensed until such time that technical feasibility can be proven, as demonstrated by the receipt of marketing approval for the related product from a regulatory authority in a major market.

### Equity-based compensation

Each of the periods presented include expense related to incentive compensation provided to eligible Alcon associates in the form of equity-settled or equity-based awards including restricted stock units ("RSUs") and performance stock units ("PSUs").

Alcon expenses the fair values of RSUs and PSUs granted to associates as compensation over the related vesting periods within the various functions where the associates are employed. The fair values of the awards are determined on their grant dates and are adjusted to account for the specific provisions of each of the corresponding grant agreements.



Alcon RSUs do not entitle the recipients to dividends. As such, the fair value upon grant is based on the Alcon share price at the grant date adjusted for potential future dividends to be paid within the holding period. The fair value of these grants, after making adjustments for assumptions related to their forfeiture during the vesting period, is expensed on a straight-line basis over the respective vesting period.

PSUs are subject to certain performance criteria being achieved during the vesting period and require plan participants to provide services during the vesting period. PSUs granted under Alcon's plans are subject to performance criteria based on internal performance metrics. The expense is determined taking into account assumptions concerning performance during the period relative to targets and expected forfeitures due to plan participants not meeting their service conditions. These assumptions are periodically adjusted. Any change in estimates for past services is recorded immediately as an expense or income in the Consolidated Income Statement and amounts for future periods are expensed over the remaining vesting period. As a result, at the end of the vesting period, the total charge during the whole vesting period represents the amount that will finally vest. The number of equity instruments that finally vest is determined at the vesting date.

If a plan participant leaves Alcon for reasons other than retirement, disability or death, then unvested restricted shares, RSUs and PSUs are forfeited, unless determined otherwise by the provision of the plan rules or by the Compensation Committee of the Company's Board of Directors, for example, in connection with a reorganization.

### Restructuring charges

Restructuring provisions are recognized for the direct expenditures arising from the restructuring, where the plans are sufficiently detailed and where appropriate communication to those affected has been made.

Charges to increase restructuring provisions are included in "Other expense" in the Consolidated Income Statement. Corresponding releases are recorded in "Other income" in the Consolidated Income Statement.

### Taxes

Taxes on income are expensed in the same periods as the revenues and expenses to which they relate and include any interest and penalties incurred during the period. Deferred taxes are determined using the comprehensive liability method and are calculated on the temporary differences that arise between the tax basis of an asset or liability and its carrying value in the balance sheet prepared for purposes of these Consolidated Financial Statements, except for those temporary differences related to investments in subsidiaries where the timing of their reversal can be controlled and it is probable that the difference will not reverse in the foreseeable future. Since the retained earnings are reinvested, withholding or other taxes on eventual distribution of a subsidiary's retained earnings are only taken into account when a dividend has been planned.

The estimated amounts for current and deferred tax assets or liabilities, including any amounts related to any uncertain tax positions, are based on currently known facts and circumstances. Tax returns are based on an interpretation of tax laws and regulations and reflect estimates based on these judgments and interpretations. The tax returns are subject to examination by the competent taxing authorities which may result in an assessment being made requiring payments of additional tax, interest or penalties. Inherent uncertainties exist in the estimates of the tax positions.

### Earnings/(loss) per share

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

### New standards and interpretations not yet adopted

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



### 3. Significant transactions

#### Significant transactions in 2022

##### Vision Care - Acquisition of Aerie Pharmaceuticals, Inc.

On November 21, 2022, Alcon acquired 100% of the outstanding shares and equity of Aerie Pharmaceuticals, Inc. ("Aerie"), a pharmaceutical company focused on the discovery, development, manufacturing and commercialization of first-in-class ophthalmic therapies. Pursuant to the terms of the Agreement and Plan of Merger, Alcon paid \$15.25 per share to acquire all outstanding shares of Aerie's common stock. The total purchase consideration amounted to \$744 million and total cash paid for the net identifiable assets recognized, net of cash acquired, was \$666 million. Alcon also assumed debt of \$316 million. This transaction was accounted for as a business combination that resulted in goodwill of \$65 million. Refer to Note 21.1 to these Consolidated Financial Statements for additional information regarding the acquisition. The total purchase consideration was funded with proceeds from a bridge loan facility agreement (the "2022 Bridge Loan Facility") on November 21, 2022. Refer to Note 16 to these Consolidated Financial Statements for additional information regarding the 2022 Bridge Loan Facility.

##### Series 2032 Notes and Series 2052 Notes issuance

On December 6, 2022, Alcon, through its wholly owned subsidiary Alcon Finance Corporation ("AFC"), completed a private offering of non-current financial debt consisting of \$700 million of 5.375% senior notes due 2032 and \$600 million of 5.750% senior notes due 2052. The funds borrowed through the issuance, together with cash, were used to repay the remaining \$640 million Facility B term loan and the \$775 million 2022 Bridge Loan Facility. Refer to Note 16 to these Consolidated Financial Statements for additional information.

##### Vision Care - Acquisition of *Eysuvis* and *Inveltys* products

On July 8, 2022, Alcon acquired two pharmaceutical ophthalmic eye drops, *Eysuvis* and *Inveltys*, from Kala Pharmaceuticals, Inc. The acquisition complements Alcon's existing portfolio in the large and fast-growing dry eye category. Pursuant to the terms of the Asset Purchase Agreement, Alcon paid total upfront consideration of \$60 million for *Eysuvis* and *Inveltys*, paid an additional amount to purchase certain related inventory and assumed certain liabilities of approximately \$14 million for a purchase consideration of \$79 million. In addition, Alcon agreed to potentially pay additional amounts upon achievement of certain commercial milestones if annual sales exceed defined targets that expire after 2029. The purchase consideration was allocated using the relative fair value approach primarily to currently marketed product intangible assets within the Vision Care reportable segment of \$71 million and assumed liabilities of \$14 million.

##### Series 2028 Notes issuance

On May 31, 2022, Alcon, through its wholly owned subsidiary Alcon Finance B.V. ("AFBV"), completed a public offering of \$537 million (EUR500 million) of non-current EUR denominated financial debt consisting of 2.375% senior notes due 2028. The funds borrowed through the issuance were used to repay the \$376 million (EUR350 million) Facility C term loan in full and partially repay \$160 million of the Facility B term loan. Refer to Note 16 to these Consolidated Financial Statements for additional information.

##### Surgical - Acquisition of Ivantis, Inc.

On January 7, 2022, Alcon acquired 100% of the outstanding shares and equity of Ivantis, Inc., a privately-held, US-based company and manufacturer of the *Hydrus* Microstent, a minimally-invasive glaucoma surgery ("MIGS") device designed to lower intraocular pressure for open-angle glaucoma patients, for total upfront consideration of \$479 million and additional amounts to be potentially paid upon achievement of development and commercial milestones. The acquisition expands Alcon's surgical portfolio and is expected to help provide a platform for more growth in the glaucoma space. Refer to Note 21.2 to these Consolidated Financial Statements for additional information regarding this transaction which was accounted for as an asset acquisition.



## Significant transactions in 2021

### Vision Care - Acquisition of *Simbrinza* US commercialization rights

On April 28, 2021, Alcon executed an Asset Purchase Agreement ("Agreement") to acquire exclusive US commercialization rights to a pharmaceutical ophthalmic eye drop, *Simbrinza* (brinzolamide/brimonidine tartrate ophthalmic suspension) 1%/0.2% from Novartis. Under the terms of the Agreement, Alcon paid \$355 million at closing on June 8, 2021 and recognized the intangible asset acquisition as currently marketed products within the Vision Care reportable segment. After closing, Alcon and Novartis immediately began a transition period during which Novartis sold *Simbrinza* on Alcon's behalf. The transition period concluded during the third quarter of 2021 and Alcon began to fully commercialize *Simbrinza* for the US market. Novartis retains all rights to *Simbrinza*® outside of the US.

## Significant transactions in 2020

### Series 2030 Notes issuance

On May 27, 2020, Alcon, through its wholly owned subsidiary 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 16 of these Consolidated Financial Statements.

## 4. Segment information

The segment information disclosed in these Consolidated 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. Alcon's reportable segments are the same as its operating segments as Alcon does not aggregate any operating segments in arriving at its reportable segments. 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, glaucoma, 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 and the selected accounting policies mentioned in Note 2 of these Consolidated 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, separation costs, transformation costs, fair value adjustments to contingent consideration liabilities, past service costs primarily for post-employment benefit plan amendments, acquisition and integration related costs and certain other income and expense items.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

General & administration (corporate) includes the costs of the Alcon corporate headquarters, including all related corporate function costs.

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 FVPL, net gains and losses on fund investments and equity securities valued at FVPL, restructuring costs, legal provisions and settlements and other income and expense items not attributed to a specific segment.

### Net sales and other revenues by segment

(\$ millions)	2022	2021	2020
<b>Surgical</b>			
Implantables	1,725	1,522	1,126
Consumables	2,499	2,388	1,952
Equipment/other	821	793	632
<b>Total Surgical net sales to third parties</b>	<b>5,045</b>	<b>4,703</b>	<b>3,710</b>
<b>Vision Care</b>			
Contact lenses	2,192	2,139	1,838
Ocular health	1,417	1,380	1,215
<b>Total Vision Care net sales to third parties</b>	<b>3,609</b>	<b>3,519</b>	<b>3,053</b>
<b>Total net sales to third parties</b>	<b>8,654</b>	<b>8,222</b>	<b>6,763</b>
Vision Care other revenues	63	69	70
<b>Total net sales and other revenues</b>	<b>8,717</b>	<b>8,291</b>	<b>6,833</b>

### Segment contribution and reconciliation to income/(loss) before taxes

(\$ millions)	2022	2021	2020
<b>Segment contribution</b>			
Surgical	1,336	1,184	672
Vision Care	600	604	419
<b>Total segment contribution</b>	<b>1,936</b>	<b>1,788</b>	<b>1,091</b>
<b>Not allocated to segments:</b>			
Amortization of intangible assets	(653)	(590)	(1,078)
Impairment charges on intangible assets	(62)	(225)	(167)
General & administration (corporate)	(255)	(251)	(232)
Separation costs	—	(36)	(217)
Transformation costs	(119)	(68)	(49)
Fair value adjustments to contingent consideration liabilities	23	42	63
Past service costs for post-employment benefit plan amendments	—	18	154
Acquisition and integration related costs	(64)	—	—
Other	(134)	(98)	(47)
<b>Operating income/(loss)</b>	<b>672</b>	<b>580</b>	<b>(482)</b>
Interest expense	(134)	(120)	(124)
Other financial income & expense	(75)	(42)	(29)
<b>Income/(loss) before taxes</b>	<b>463</b>	<b>418</b>	<b>(635)</b>



### Included in segment contribution are:

(\$ millions)	2022	2021	2020
<b>Depreciation of property, plant &amp; equipment:</b>			
Surgical	(131)	(129)	(122)
Vision Care	(198)	(194)	(171)
Not allocated to segments	(1)	—	—
<b>Total depreciation of property, plant &amp; equipment</b>	<b>(330)</b>	<b>(323)</b>	<b>(293)</b>
<b>Depreciation of right-of-use assets:</b>			
Surgical	(46)	(50)	(47)
Vision Care	(30)	(31)	(32)
<b>Total depreciation of right-of-use assets</b>	<b>(76)</b>	<b>(81)</b>	<b>(79)</b>
<b>Impairment charges on property, plant &amp; equipment, net:</b>			
Surgical	(2)	—	(6)
Vision Care	—	—	—
<b>Total impairment charges on property, plant &amp; equipment, net</b>	<b>(2)</b>	<b>—</b>	<b>(6)</b>
<b>Equity-based compensation:</b>			
Surgical	(74)	(74)	(55)
Vision Care	(61)	(60)	(45)
Not allocated to segments	(17)	(17)	(13)
<b>Total equity-based compensation</b>	<b>(152)</b>	<b>(151)</b>	<b>(113)</b>

### Geographical information

The following table shows the United States, International and countries that accounted for more than 5% of at least one of the respective Alcon totals, for net sales for the years ended December 31, 2022, 2021 and 2020, and for selected non-current assets at December 31, 2022 and 2021:

(\$ millions unless indicated otherwise) <sup>(1)</sup>	Net sales <sup>(2)</sup>						Total of selected non-current assets <sup>(3)</sup>			
	2022		2021		2020		2022		2021	
<b>Country</b>										
United States	3,897	45 %	3,651	44 %	2,975	44 %	11,739	51 %	10,200	47 %
International	4,757	55 %	4,571	56 %	3,788	56 %	11,336	49 %	11,553	53 %
<i>thereof:</i>										
Switzerland (country of domicile)	59	1 %	60	1 %	55	1 %	9,462	41 %	9,762	45 %
Japan	568	7 %	621	8 %	650	10 %	44	— %	46	— %
China	474	5 %	486	6 %	383	6 %	9	— %	16	— %
Other	3,656	42 %	3,404	41 %	2,700	40 %	1,821	8 %	1,729	8 %
<b>Company total</b>	<b>8,654</b>	<b>100 %</b>	<b>8,222</b>	<b>100 %</b>	<b>6,763</b>	<b>100 %</b>	<b>23,075</b>	<b>100 %</b>	<b>21,753</b>	<b>100 %</b>

(1) International percentages may not sum due to rounding.

(2) Net sales from operations by location of third-party customer.

(3) Includes property, plant & equipment, right-of-use assets, goodwill and other intangible assets.

No customer accounted for 10% or more of Alcon's net sales.



## 5. Interest expense and other financial income & expense

### Interest expense

(\$ millions)	2022	2021	2020
Interest expense on financial debts	(110)	(95)	(94)
Interest expense from discounting long-term liabilities	(9)	(12)	(17)
Interest expense on lease liabilities	(15)	(13)	(13)
<b>Total interest expense</b>	<b>(134)</b>	<b>(120)</b>	<b>(124)</b>

### Other financial income & expense

(\$ millions)	2022	2021	2020
Interest income	16	3	6
Loss on extinguishment of financial debt	(5)	—	—
Other financial expense	(12)	(10)	(9)
Monetary loss from hyperinflation accounting	(16)	(6)	(4)
Currency result, net	(58)	(29)	(22)
<b>Total other financial income &amp; expense</b>	<b>(75)</b>	<b>(42)</b>	<b>(29)</b>

## 6. Taxes

### Income/(loss) before taxes

(\$ millions)	2022	2021	2020
Switzerland	234	680	(585)
Foreign	229	(262)	(50)
<b>Total income/(loss) before taxes</b>	<b>463</b>	<b>418</b>	<b>(635)</b>

### Current and deferred income tax (expense)/income

(\$ millions)	2022	2021	2020
Switzerland	(17)	(118)	(14)
Foreign	(146)	(116)	(105)
<b>Current income tax expense</b>	<b>(163)</b>	<b>(234)</b>	<b>(119)</b>
Switzerland	53	45	96
Foreign	(18)	147	127
<b>Deferred tax income</b>	<b>35</b>	<b>192</b>	<b>223</b>
<b>Total income tax (expense)/income</b>	<b>(128)</b>	<b>(42)</b>	<b>104</b>



## Analysis of tax rate

Alcon's overall applicable tax rate can change each year since it is calculated as the weighted average tax rate based on pre-tax income/(loss) of each subsidiary. The main elements contributing to the difference between Alcon's overall applicable tax rate and the effective tax rate are summarized in the below table.

	2022		2021		2020	
(\$ millions unless indicated otherwise) <sup>(1)</sup>		%		%		%
Applicable tax rate	(104)	22.5 %	(39)	9.3 %	98	15.4 %
Effect of disallowed expenditures	(13)	2.8 %	(10)	2.4 %	(20)	(3.1) %
Effect of equity-based compensation	(13)	2.8 %	(7)	1.7 %	(5)	(0.8) %
Effect of income taxed at reduced rates	4	(0.9) %	1	(0.2) %	4	0.6 %
Effect of tax credits and allowances	11	(2.4) %	9	(2.2) %	9	1.4 %
Effect of deductibility of a statutory expense in Switzerland <sup>(2)</sup>	23	(5.0) %	38	(9.1) %	—	— %
Effect of adjustments to contingent consideration and other liabilities	3	(0.6) %	7	(1.7) %	17	2.7 %
Effect of option payments	—	— %	(2)	0.5 %	(6)	(0.9) %
Effect of tax rate changes	—	— %	(3)	0.7 %	10	1.6 %
Effect of changes in uncertain tax positions <sup>(3)</sup>	10	(2.2) %	(39)	9.3 %	(8)	(1.3) %
Effect of 2022 APA on prior years	(37)	8.0 %	—	— %	—	— %
Effect of non-deductible amortization	(7)	1.5 %	—	— %	—	— %
Effect of other items	(2)	0.4 %	(3)	0.7 %	(10)	(1.6) %
Effect of prior year items	(3)	0.6 %	6	(1.4) %	15	2.4 %
<b>Effective tax rate</b>	<b>(128)</b>	<b>27.6 %</b>	<b>(42)</b>	<b>10.0 %</b>	<b>104</b>	<b>16.4 %</b>

(1) Percentages may not sum due to rounding.

(2) Effect of deductibility of statutory expense in Switzerland relates to agreements for fiscal years 2022 and 2021. It is uncertain whether Alcon will obtain a similar benefit in future years.

(3) Effect of changes in uncertain tax positions in 2022 primarily relate to recognition of the benefit of the effect of deductibility of a statutory expense in Switzerland for 2021, partially offset by a reserve for the deductibility of a statutory expense in Switzerland for 2022. Effect of changes in uncertain tax positions in 2021 primarily relate to international transfer pricing and a partial reserve for the deductibility of a statutory expense in Switzerland.

Alcon has a substantial business presence in many countries and is therefore subject to different income and expense items that are non-taxable (permanent differences) or are taxed at different rates in those tax jurisdictions. This results in a difference between Alcon's applicable tax rate and effective tax rate as shown in the table above.

During the fourth quarter of 2022, Alcon recognized the impact of an Advanced Pricing Agreement between US and Switzerland tax authorities (the "2022 APA") related to the allocation and taxation of relevant Alcon profits between the US and Switzerland retroactive to 2019. The 2022 APA results in more profit being taxable at the rate applicable in the US compared to Alcon's historical filing position. As a result, in the fourth quarter of 2022 Alcon recorded a discrete item of \$37 million of tax expense related to the 2019 through 2021 tax years and an increase of \$64 million of tax expense for the current year, which is included in Alcon's effective tax rate. The 2022 APA was agreed upon in the first quarter of 2023 and is expected to be valid through 2027.

The increase in the applicable tax rate for 2022 was primarily driven by more profit being taxable at the rate applicable in the US compared to Alcon's historical filing position as a result of the 2022 APA. The applicable tax rate in 2021 and 2020 was impacted by pre-tax losses in certain tax jurisdictions. The fluctuation in taxes and effective tax rates is primarily due to the geographical pre-tax income and loss mix across certain tax jurisdictions relative to Alcon's consolidated income/(loss) before taxes, changes in uncertain tax positions and certain non-recurring items.

Tax returns are subject to examination by competent taxing authorities, which may result in assessments being made requiring payments of additional tax, interest or penalties. Inherent uncertainties exist in the estimates of the tax positions.

On August 16, 2022, the US enacted the Inflation Reduction Act (the "IRA"). Alcon does not currently believe the IRA will have a material effect on its reported results, cash flows or financial position when it becomes effective.



## 7. Share capital, dividends and earnings/(loss) per share

### 7.1 Share capital

The share capital of the Company as of December 31, 2022 is CHF 20 million, which is comprised of 499.7 million registered shares, nominal value of CHF 0.04 per share.

The following table shows the movement in the shares:

(shares in millions)	Common stock shares outstanding	Treasury stock shares	Total shares
<b>January 1, 2020</b>	<b>488.3</b>	<b>3.4</b>	<b>491.7</b>
Issuance of additional registered shares	—	8.0	8.0
Settlement of equity-based awards	0.9	(0.9)	—
<b>December 31, 2020</b>	<b>489.2</b>	<b>10.5</b>	<b>499.7</b>
Settlement of equity-based awards	0.9	(0.9)	—
<b>December 31, 2021</b>	<b>490.1</b>	<b>9.6</b>	<b>499.7</b>
Settlement of equity-based awards	1.7	(1.7)	—
<b>December 31, 2022</b>	<b>491.8</b>	<b>7.9</b>	<b>499.7</b>

On November 10, 2020, the Company's Board of Directors approved an increase of CHF 320,000 out of the Company's authorized share capital through the issuance of 8.0 million additional registered shares, nominal value CHF 0.04 per share, to fulfill the future vesting of existing and future equity-based awards. These additional shares were issued as treasury shares as part of the Company's authorized share capital according to the authority granted by the shareholders at the Company's Annual General Meeting held on January 29, 2019 and reflected in the Company's Articles of Incorporation as amended. While the transaction increased the number of shares available for issuance under the Company's equity-based compensation plans, there was no immediate impact on the number of shares outstanding or earnings per share calculations at the time of the transaction. To the extent award settlement occurs through the use of treasury shares, the number of shares outstanding and earnings per share calculations will be impacted as shares are delivered to plan participants over the course of the next several years. All of the Company's 7.9 million shares held in treasury may only be used to fulfill the future vesting of existing and future equity-based awards. The authority to issue additional registered shares under the authorized share capital expired on January 29, 2021.

### 7.2 Dividends

On February 15, 2022, the Company's Board of Directors proposed a dividend of CHF 0.20 per share, which was subsequently approved by the shareholders at the Annual General Meeting on April 27, 2022 and paid in May 2022 for an amount of \$100 million.

On February 23, 2021, the Company's Board of Directors proposed a dividend of CHF 0.10 per share, which was subsequently approved by the shareholders at the Annual General Meeting on April 28, 2021 and paid in May 2021 for an amount of \$54 million.

### 7.3 Earnings/(loss) per share

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 years ended December 31, 2022, 2021 and 2020, the weighted average number of shares outstanding was 491.4 million, 490.0 million and 489.0 million shares, respectively.



The only potentially dilutive securities are the outstanding unvested equity-based awards under the Company's equity-based incentive plans, as described in Note 23 to these Consolidated 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 years ended December 31, 2022 and 2021, the weighted average diluted number of shares outstanding was 494.4 million and 493.4 million, respectively, which includes the potential conversion of 3.0 million and 3.4 million unvested equity-based awards, respectively. For the year ended December 31, 2020, 2.8 million unvested equity-based awards have been excluded from the calculation of diluted loss per share as their effect would be anti-dilutive.

The average market value of the Company's shares for the purposes of calculating the potentially dilutive effects of unvested equity-based awards was based on quoted market prices for the period that the unvested awards were outstanding.

## 8. Property, plant & equipment

The following table summarizes the movements of property, plant & equipment in 2022:

(\$ millions)	Land	Buildings & improvements	Construction in progress	Machinery & other equipment	Total
<b>Cost</b>					
<b>January 1, 2022</b>	<b>36</b>	<b>1,987</b>	<b>790</b>	<b>3,547</b>	<b>6,360</b>
Additions	—	10	554	123	687
Impact of business combination	—	10	2	15	27
Disposals and derecognitions <sup>(1)</sup>	—	(13)	(3)	(172)	(188)
Reclassifications for assets placed in service	—	127	(389)	262	—
Currency translation effects	(1)	(30)	1	(81)	(111)
<b>December 31, 2022</b>	<b>35</b>	<b>2,091</b>	<b>955</b>	<b>3,694</b>	<b>6,775</b>
<b>Accumulated depreciation</b>					
<b>January 1, 2022</b>	<b>—</b>	<b>(802)</b>	<b>(1)</b>	<b>(1,846)</b>	<b>(2,649)</b>
Depreciation charge	—	(92)	—	(238)	(330)
Impairment charge	—	—	(2)	—	(2)
Disposals and derecognitions <sup>(1)</sup>	—	13	1	165	179
Currency translation effects	—	11	—	41	52
<b>December 31, 2022</b>	<b>—</b>	<b>(870)</b>	<b>(2)</b>	<b>(1,878)</b>	<b>(2,750)</b>
<b>Net book value at December 31, 2022</b>	<b>35</b>	<b>1,221</b>	<b>953</b>	<b>1,816</b>	<b>4,025</b>

(1) Derecognition of assets that are no longer used and are not considered to have a significant disposal value or other alternative use.

As of December 31, 2022, commitments for purchases of property, plant & equipment were \$248 million.



The following table summarizes the movements of property, plant & equipment in 2021:

(\$ millions)	Land	Buildings & improvements	Construction in progress	Machinery & other equipment	Total
<b>Cost</b>					
<b>January 1, 2021</b>	<b>35</b>	<b>1,884</b>	<b>573</b>	<b>3,425</b>	<b>5,917</b>
Additions	2	8	654	57	721
Disposals and derecognitions <sup>(1)</sup>	—	(7)	(8)	(93)	(108)
Reclassifications for assets placed in service	—	146	(410)	264	—
Currency translation effects	(1)	(44)	(19)	(106)	(170)
<b>December 31, 2021</b>	<b>36</b>	<b>1,987</b>	<b>790</b>	<b>3,547</b>	<b>6,360</b>
<b>Accumulated depreciation</b>					
<b>January 1, 2021</b>	<b>—</b>	<b>(716)</b>	<b>(8)</b>	<b>(1,768)</b>	<b>(2,492)</b>
Depreciation charge	—	(107)	—	(216)	(323)
Disposals and derecognitions <sup>(1)</sup>	—	5	7	83	95
Currency translation effects	—	16	—	55	71
<b>December 31, 2021</b>	<b>—</b>	<b>(802)</b>	<b>(1)</b>	<b>(1,846)</b>	<b>(2,649)</b>
<b>Net book value at December 31, 2021</b>	<b>36</b>	<b>1,185</b>	<b>789</b>	<b>1,701</b>	<b>3,711</b>

(1) Derecognition of assets that are no longer used and are not considered to have a significant disposal value or other alternative use.

As of December 31, 2021, commitments for purchases of property, plant & equipment were \$186 million.



## 9. Goodwill and other intangible assets

The following table summarizes the movements of goodwill and other intangible assets in 2022:

(\$ millions)	Goodwill	Intangible assets other than goodwill						Total
		Alcon brand name	Acquired in-process research & development	Technologies	Currently marketed products	Marketing know-how	Other intangible assets (including software)	
Cost								
January 1, 2022	8,905	2,980	737	5,369	4,803	5,960	658	20,507
Impact of business combination	65	—	175	—	850	—	—	1,025
Impact of asset acquisitions	—	—	10	—	385	—	12	407
Additions	—	—	—	—	151	—	57	208
Disposals and derecognitions <sup>(1)</sup>	—	—	(2)	—	—	—	(7)	(9)
December 31, 2022	8,970	2,980	920	5,369	6,189	5,960	720	22,138
Accumulated amortization								
January 1, 2022	—	—	(180)	(5,238)	(3,471)	(2,622)	(231)	(11,742)
Amortization charge	—	—	—	(40)	(279)	(239)	(95)	(653)
Disposals and derecognitions <sup>(1)</sup>	—	—	2	—	—	—	6	8
Impairment charges	—	—	(3)	—	(59)	—	—	(62)
December 31, 2022	—	—	(181)	(5,278)	(3,809)	(2,861)	(320)	(12,449)
Net book value at December 31, 2022	8,970	2,980	739	91	2,380	3,099	400	9,689

(1) Derecognitions of assets that are no longer used or being developed and are not considered to have a significant disposal value or other alternative use.

The following table summarizes the allocation of the net book values of goodwill and other intangible assets by reportable segment at December 31, 2022:

(\$ millions)	Intangible assets other than goodwill							Total
	Goodwill	Alcon brand name	Acquired in-process research & development	Technologies	Currently marketed products	Marketing know-how	Other intangible assets (including software)	
Surgical	4,544	—	564	91	583	3,099	240	4,577
Vision Care	4,426	—	175	—	1,797	—	160	2,132
Not allocated to segments	—	2,980	—	—	—	—	—	2,980
<b>Net book value at December 31, 2022</b>	<b>8,970</b>	<b>2,980</b>	<b>739</b>	<b>91</b>	<b>2,380</b>	<b>3,099</b>	<b>400</b>	<b>9,689</b>

The Surgical and Vision Care reportable segments' CGUs, to which goodwill is allocated, are comprised of a group of smaller CGUs. The valuation method of the recoverable amount of the CGUs, to which goodwill is allocated, is based on the FVLCOB.

The Alcon brand name is an intangible asset with an indefinite life. The intangible asset is not allocated to the reportable segments as it is used to market the Alcon-branded products of both the Surgical and Vision Care businesses. Net sales of these products together are the grouping of CGUs, which is used to determine the recoverable amount. The valuation method is based on the FVLCOB.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

The following assumptions were used in the calculations for the recoverable amounts of goodwill and the Alcon brand name at December 31, 2022 and 2021:

(As a percentage)	2022		2021	
	Surgical	Vision Care	Surgical	Vision Care
Terminal growth rate	3.0	3.0	3.0	3.0
Discount rate (post-tax)	9.0	8.75	7.0	6.5

The Surgical and Vision Care reportable segments' terminal growth rate assumption of 3.0% takes into consideration how the industry is expected to grow, analysis of industry expert reports, and expected relevant changes in demographics for various markets. The discount rates for both Surgical and Vision Care reportable segments consider Alcon's weighted average cost of capital, adjusted to approximate the weighted average cost of capital of comparable market participants. Both the terminal growth rates and the discount rates are consistent with external sources of information.

The FVLCD, for all groupings of CGUs containing goodwill or indefinite life intangible assets, is reviewed for the impact of reasonably possible changes in key assumptions. In particular Alcon considered an increase in the discount rate, a decrease in the terminal growth rate and certain negative impacts on the forecasted cash flows. These reasonably possible changes in key assumptions did not indicate an impairment.

Refer to "Impairment of goodwill, Alcon brand name and definite lived intangible assets" and "Acquired In-Process Research & Development ("IPR&D")" in Note 2 in these Consolidated Financial Statements for additional disclosures on how Alcon performs goodwill and intangible asset impairment testing.

The following table summarizes the movements of goodwill and other intangible assets in 2021:

Intangible assets other than goodwill								
(\$ millions)	Goodwill	Alcon brand name	Acquired in-process research & development	Technologies	Currently marketed products	Marketing know-how	Other intangible assets (including software)	Total
<b>Cost</b>								
<b>January 1, 2021</b>	<b>8,905</b>	<b>2,980</b>	<b>727</b>	<b>5,369</b>	<b>4,440</b>	<b>5,960</b>	<b>556</b>	<b>20,032</b>
Additions	—	—	20	—	359	—	104	483
Reclassifications	—	—	(10)	—	10	—	—	—
Disposals and derecognitions <sup>(1)</sup>	—	—	—	—	(6)	—	(2)	(8)
<b>December 31, 2021</b>	<b>8,905</b>	<b>2,980</b>	<b>737</b>	<b>5,369</b>	<b>4,803</b>	<b>5,960</b>	<b>658</b>	<b>20,507</b>
<b>Accumulated amortization</b>								
<b>January 1, 2021</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(5,199)</b>	<b>(3,197)</b>	<b>(2,384)</b>	<b>(155)</b>	<b>(10,935)</b>
Amortization charge	—	—	—	(39)	(235)	(238)	(78)	(590)
Disposals and derecognitions <sup>(1)</sup>	—	—	—	—	6	—	2	8
Impairment charges	—	—	(180)	—	(45)	—	—	(225)
<b>December 31, 2021</b>	<b>—</b>	<b>—</b>	<b>(180)</b>	<b>(5,238)</b>	<b>(3,471)</b>	<b>(2,622)</b>	<b>(231)</b>	<b>(11,742)</b>
<b>Net book value at December 31, 2021</b>	<b>8,905</b>	<b>2,980</b>	<b>557</b>	<b>131</b>	<b>1,332</b>	<b>3,338</b>	<b>427</b>	<b>8,765</b>

(1) Derecognitions of assets that are no longer used or being developed and are not considered to have a significant disposal value or other alternative use.



The following table summarizes the allocation of the net book values of goodwill and other intangible assets by reportable segment at December 31, 2021:

(\$ millions)	Intangible assets other than goodwill							Total
	Goodwill	Alcon brand name	Acquired in-process research & development	Technologies	Currently marketed products	Marketing know-how	Other intangible assets (including software)	
Surgical	4,544	—	555	131	229	3,338	251	4,504
Vision Care	4,361	—	2	—	1,103	—	176	1,281
Not allocated to segments	—	2,980	—	—	—	—	—	2,980
<b>Net book value at December 31, 2021</b>	<b>8,905</b>	<b>2,980</b>	<b>557</b>	<b>131</b>	<b>1,332</b>	<b>3,338</b>	<b>427</b>	<b>8,765</b>

## Intangible asset impairment charges

The following table shows the intangible asset impairment charges in 2022, 2021 and 2020:

(\$ millions)	2022	2021	2020
Surgical	(60)	(178)	(66)
Vision Care	(2)	(47)	(101)
<b>Total</b>	<b>(62)</b>	<b>(225)</b>	<b>(167)</b>

For the year ended December 31, 2022, impairment charges recognized in the Consolidated Income Statement amounted to \$62 million, primarily due to impairments of \$61 million recognized in the second quarter. An impairment charge of \$59 million was recognized in Cost of net sales for a currently marketed product CGU in the Surgical reportable segment due to higher forecasted research and development costs associated with product redesign and delayed launch date of the next generation product. The CGU was reduced to its recoverable amount of \$15 million determined based on the VIU method at the time of impairment. VIU was estimated using net present value techniques utilizing pre-tax cash flows and a discount rate of 7.8%. The remaining impairment charge of \$2 million in the second quarter was recognized in Research & development to fully impair an acquired research & development intangible asset in the Vision Care reportable segment which will no longer be used.

For the year ended December 31, 2021, impairment charges recognized in the Consolidated Income Statement amounted to \$225 million. Impairments of \$180 million were recognized in Research & development in 2021. Of that amount, an impairment charge of \$178 million was recognized in the third quarter of 2021 in Research & development to fully impair a CGU in the Surgical reportable segment upon a decision to suspend research and development efforts and commercialization of the product as Alcon prioritizes other products in the portfolio. An additional impairment charge of \$2 million was recognized in the fourth quarter of 2021 in Research & development to fully impair a licensed technology in the Vision Care reportable segment, which will no longer be used in any future research and development activities. The remaining amount of \$45 million relates to an impairment charge recognized in the first quarter of 2021 in Cost of net sales for a currently marketed product CGU in the Vision Care reportable segment due to lower expected sales. The CGU was reduced to its recoverable amount of \$48 million determined based on the FVLCD method at the time of impairment. FVLCD was estimated using net present value techniques utilizing post-tax cash flows and a discount rate as there are no direct or indirect observable prices in active markets for identical or similar assets. The discount rate was consistent with the rate used in the annual goodwill impairment assessment.

For the year ended December 31, 2020, impairments amounted to \$167 million. An impairment of \$61 million was recognized in the third quarter of 2020, primarily to fully impair a CGU within the Vision Care reportable segment upon termination of the associated licensing agreement. The impairment was recognized in Research & development in the Consolidated Income Statement. The remaining amount relates to additional impairments of \$106 million, which were recognized in Cost of net sales in the Consolidated Income Statement in 2020. Of that amount, an impairment of \$41 million was recorded for a currently marketed product CGU within the Vision Care reportable segment due to lower expected sales. The CGU was reduced to its recoverable amount of \$88 million at the time of impairment in the second quarter of 2020. An additional \$65 million relates to impairments of a currently marketed product CGU in the Surgical reportable segment recognized in the first and fourth quarters of 2020 due to lower expected sales. This CGU was also reduced to its recoverable amount of \$65 million at the time of impairment at December 31, 2020. The recoverable amount of each CGU was determined based on the 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 discount rates of 7.5% and 7.0% for Surgical and Vision Care reportable segments, respectively, were consistent with the rates used in the annual goodwill impairment assessment.

The estimates used in calculating net present values involve significant judgement by management and include assumptions with measurement uncertainty. The estimates include cash flow projections for a five-year period based on management forecasts, sales forecasts beyond the five-year period extrapolated using long-term expected growth rates, discount rates, and future tax rates. Actual cash flows and values could vary significantly from forecasted future cash flows and related values derived using net present value techniques.

For FVLCOD, the estimates used are considered to be consistent with market participant assumptions. Since the cash flow projections are a significant unobservable input, the fair value of the CGUs were classified as Level 3 in the fair value hierarchy.



## 10. Deferred tax assets and liabilities

(\$ millions)	Property, plant & equipment	Intangible assets	Pensions and other benefit obligations of associates	Inventories	Tax loss carry- forwards	Other assets, provisions and accruals	Total
Gross deferred tax assets at December 31, 2021	28	5	116	372	188	452	1,161
Gross deferred tax liabilities at December 31, 2021	(246)	(1,382)	—	(23)	—	(127)	(1,778)
<b>Net deferred tax balance at December 31, 2021</b>	<b>(218)</b>	<b>(1,377)</b>	<b>116</b>	<b>349</b>	<b>188</b>	<b>325</b>	<b>(617)</b>
<b>At December 31, 2021</b>	<b>(218)</b>	<b>(1,377)</b>	<b>116</b>	<b>349</b>	<b>188</b>	<b>325</b>	<b>(617)</b>
(Charged)/credited to income	(57)	102	1	(23)	(168)	180	35
(Charged)/credited to equity	—	—	—	—	12	(31)	(19)
(Charged) to other comprehensive income	—	—	(38)	—	—	(5)	(43)
Impact of business combination	(1)	(250)	—	—	142	43	(66)
Impact of asset acquisitions	—	—	—	—	57	—	57
<b>Net deferred tax balance at December 31, 2022</b>	<b>(276)</b>	<b>(1,525)</b>	<b>79</b>	<b>326</b>	<b>231</b>	<b>512</b>	<b>(653)</b>
Gross deferred tax assets at December 31, 2022	31	4	79	352	231	642	1,339
Gross deferred tax liabilities at December 31, 2022	(307)	(1,529)	—	(26)	—	(130)	(1,992)
<b>Net deferred tax balance at December 31, 2022</b>	<b>(276)</b>	<b>(1,525)</b>	<b>79</b>	<b>326</b>	<b>231</b>	<b>512</b>	<b>(653)</b>

The below table presents the Net deferred tax balance as of December 31, 2022 after offsetting \$928 million of deferred tax assets and liabilities within the same tax jurisdiction.

(\$ millions)	At December 31, 2022
Deferred tax assets	411
Deferred tax liabilities	(1,064)
<b>Net deferred tax liabilities</b>	<b>(653)</b>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

(\$ millions)	Property, plant & equipment	Intangible assets	Pensions and other benefit obligations of associates	Inventories	Tax loss carry- forwards	Other assets, provisions and accruals	Total
Gross deferred tax assets at December 31, 2020	24	5	128	381	174	314	1,026
Gross deferred tax liabilities at December 31, 2020	(215)	(1,519)	—	(23)	—	(66)	(1,823)
<b>Net deferred tax balance at December 31, 2020</b>	<b>(191)</b>	<b>(1,514)</b>	<b>128</b>	<b>358</b>	<b>174</b>	<b>248</b>	<b>(797)</b>
<b>At December 31, 2020</b>	<b>(191)</b>	<b>(1,514)</b>	<b>128</b>	<b>358</b>	<b>174</b>	<b>248</b>	<b>(797)</b>
(Charged)/credited to income	(27)	137	1	(9)	4	86	192
(Charged)/credited to equity	—	—	(2)	—	7	3	8
(Charged)/credited to other comprehensive income	—	—	(11)	—	3	(12)	(20)
<b>Net deferred tax balance at December 31, 2021</b>	<b>(218)</b>	<b>(1,377)</b>	<b>116</b>	<b>349</b>	<b>188</b>	<b>325</b>	<b>(617)</b>
Gross deferred tax assets at December 31, 2021	28	5	116	372	188	452	1,161
Gross deferred tax liabilities at December 31, 2021	(246)	(1,382)	—	(23)	—	(127)	(1,778)
<b>Net deferred tax balance at December 31, 2021</b>	<b>(218)</b>	<b>(1,377)</b>	<b>116</b>	<b>349</b>	<b>188</b>	<b>325</b>	<b>(617)</b>

The below table presents the Net deferred tax balance as of December 31, 2021 after offsetting \$752 million of deferred tax assets and liabilities within the same tax jurisdiction.

(\$ millions)	At December 31, 2021
Deferred tax assets	409
Deferred tax liabilities	(1,026)
<b>Net deferred tax liabilities</b>	<b>(617)</b>

The below table presents deferred tax assets and deferred tax liabilities expected to have an impact on current taxes payable after more than twelve months.

(\$ billions)	At December 31, 2022	At December 31, 2021
Deferred tax assets	1.0	0.8
Deferred tax liabilities	1.9	1.7

For foreign unremitted earnings retained by consolidated entities for reinvestment, which amounted to \$9 billion as of December 31, 2022 and December 31, 2021, no provision is made for income taxes that would be payable upon the distribution of these earnings. If these earnings were remitted, an income tax charge could result based on the tax statutes currently in effect.

IFRS exceptions to recognizing taxable temporary differences include an exception to recognizing a deferred tax liability arising on the initial recognition of goodwill from acquisitions. As such, we have not provided a deferred tax for goodwill from acquisitions which amounted to \$9 billion as of December 31, 2022 and 2021.

The gross value of capital loss carryforwards for which no deferred tax assets were recognized amounted to \$120 million at December 31, 2022 (\$103 million at December 31, 2021) and will expire in four years.

The gross value of tax loss carryforwards capitalized as deferred tax assets amounted to \$1,429 million at December 31, 2022 (\$1,047 million at December 31, 2021), of which \$45 million will expire in five years. Of the remaining \$1,384 million, approximately \$776 million have an indefinite carryforward period, and approximately \$608 million have a carryforward period that ranges from six to twenty years. The gross value of tax loss carryforwards for which no deferred tax assets were recognized amounted to \$438 million. All other tax loss carryforwards have been capitalized as deferred tax assets in 2022 as it is probable that sufficient taxable income will be available for the foreseeable future.



No tax losses carried forward have expired in 2022, 2021 or 2020.

## 11. Financial and other non-current assets

The below tables provide details related to Financial assets and Other non-current assets as of December 31, 2022 and 2021.

### Financial assets

(\$ millions)	2022	2021
Long-term financial investments measured at FVOCI	88	46
Long-term financial investments measured at FVPL	20	6
Long-term receivables from customers	119	110
Non-current minimum lease payments from finance lease agreements	38	35
Long-term loans, advances and security deposits	22	20
<b>Total financial assets</b>	<b>287</b>	<b>217</b>

### Minimum lease payments from finance lease agreements

The following table shows the receivables of the gross investments in finance leases and the net present value of the minimum lease payments, as well as unearned finance income, related to surgical equipment lease arrangements. The finance income is recorded in "Other income".

(\$ millions)	2022					2021				
	Total future payments	Unearned interest income	Present value	Provision	Net book value	Total future payments	Unearned interest income	Present value	Provision	Net book value
Not later than one year <sup>(1)</sup>	28	(2)	26	(1)	25	32	(2)	30	(2)	28
Between one and five years	49	(2)	47	(10)	37	47	(2)	45	(12)	33
Later than five years	1	—	1	—	1	2	—	2	—	2
<b>Total</b>	<b>78</b>	<b>(4)</b>	<b>74</b>	<b>(11)</b>	<b>63</b>	<b>81</b>	<b>(4)</b>	<b>77</b>	<b>(14)</b>	<b>63</b>

(1) The current portion of the minimum lease payments is recorded in Trade receivables or Other current assets (to the extent not yet invoiced).

### Other non-current assets

(\$ millions)	2022	2021
Deferred compensation plans	139	155
Prepaid post-employment benefit plans	8	25
Other non-current assets	96	54
<b>Total other non-current assets</b>	<b>243</b>	<b>234</b>



## 12. Inventories

The amount of inventory recognized as an expense in "Cost of net sales" in the Consolidated Income Statement during 2022 amounted to \$2.7 billion (2021: \$2.5 billion, 2020: \$2.1 billion). The amount of inventory recognized as an expense in "Cost of other revenues" in the Consolidated Income Statement during 2022 amounted to \$59 million (2021: \$62 million, 2020: \$63 million).

(\$ millions)	2022	2021
Raw material, consumables	433	336
Work in progress	201	169
Finished products	1,475	1,394
<b>Total inventories</b>	<b>2,109</b>	<b>1,899</b>

Alcon recognized inventory provisions and write-downs amounting to \$200 million in 2022 (2021: \$220 million, 2020: \$304 million) and reversed inventory provisions amounting to \$72 million in 2022 (2021: \$83 million, 2020: \$91 million). Inventory provisions mainly relate to the adjustment of inventory balances to their net realizable value based on the forecasted sales. Reversals are made when the products become salable.

## 13. Trade receivables

Trade receivable balances include sales to wholesalers, retailers, doctor groups, private health systems, government agencies, pharmacy benefit managers, managed health-care organizations and government-supported healthcare systems. The following tables provide details related to Trade receivables as of December 31, 2022 and 2021, including trade receivables that are not overdue as specified in the payment terms and conditions established with Alcon's customers, as well as an analysis of overdue amounts, expected credit loss rates and related provisions for doubtful trade receivables:

(\$ millions)	2022			
	Gross trade receivables	Provision	Trade receivables, net	Expected credit loss rates
Not overdue	1,390	(2)	1,388	0.1 %
Past due for not more than one month	125	(1)	124	0.8 %
Past due for more than one month but less than three months	93	(2)	91	2.2 %
Past due for more than three months but less than six months	56	(4)	52	7.1 %
Past due for more than six months but less than one year	28	(16)	12	57.1 %
Past due for more than one year	38	(32)	6	84.2 %
<b>Total</b>	<b>1,730</b>	<b>(57)</b>	<b>1,673</b>	

(\$ millions)	2021			
	Gross trade receivables	Provision	Trade receivables, net	Expected credit loss rates
Not overdue	1,273	(2)	1,271	0.2 %
Past due for not more than one month	96	(1)	95	1.0 %
Past due for more than one month but less than three months	74	(1)	73	1.4 %
Past due for more than three months but less than six months	43	(2)	41	4.7 %
Past due for more than six months but less than one year	23	(13)	10	56.5 %
Past due for more than one year	42	(36)	6	85.7 %
<b>Total</b>	<b>1,551</b>	<b>(55)</b>	<b>1,496</b>	



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

The following table summarizes the movement in the provision for doubtful trade receivables:

(\$ millions)	2022	2021	2020
<b>January 1</b>	<b>(55)</b>	<b>(68)</b>	<b>(48)</b>
Provisions for doubtful trade receivables charged to the Consolidated Income Statement	(40)	(20)	(48)
Utilization of provisions for doubtful trade receivables	7	8	15
Reversal of provisions for doubtful trade receivables	28	23	14
Currency translation effects	3	2	(1)
<b>December 31</b>	<b>(57)</b>	<b>(55)</b>	<b>(68)</b>

Closely monitored countries include Greece, Italy, Portugal, Spain, Brazil, Russia, Turkey, Saudi Arabia, and Argentina. The majority of the outstanding trade receivables from Greece, Italy, Spain, Saudi Arabia and Argentina are due directly from local governments or from government-funded entities. We evaluate trade receivables in these countries for potential collection risk. Should there be a substantial deterioration in our economic exposure with respect to those countries, we may increase our level of provisions by updating our expected loss provision or may change the terms of trade on which we operate.

The following table shows the gross trade receivables balance from these closely monitored countries as of December 31, 2022 and 2021, the amounts that are past due for more than one year and the related amount of the provisions for doubtful trade receivables that have been recorded:

(\$ millions)	2022	2021
Total balance of gross trade receivables from closely monitored countries	280	252
Past due for more than one year	8	10
Provisions for doubtful trade receivables	(10)	(11)

Trade receivables include amounts denominated in the following major currencies:

(\$ millions)	2022	2021
US dollar (USD)	701	526
Euro (EUR)	256	243
Japanese yen (JPY)	154	160
Chinese yuan (CNY)	102	122
Brazilian real (BRL)	55	44
Indian rupee (INR)	33	36
Canadian dollar (CAD)	35	39
Australian dollar (AUD)	29	24
British pound (GBP)	31	29
Russian ruble (RUB)	28	35
South Korean won (KRW)	37	38
Mexican peso (MXN)	26	25
Other currencies	186	175
<b>Total trade receivables, net</b>	<b>1,673</b>	<b>1,496</b>



## 14. Other current assets

The following table provides details related to Other current assets as of December 31, 2022 and 2021:

(\$ millions)	2022	2021
Current portion of long-term receivables from customers	102	97
Current portion of minimum lease payments from finance lease agreements	25	28
Prepaid expenses	107	92
VAT receivables	99	105
Other receivables, security deposits and current assets	77	79
Derivative financial instruments	8	3
Equity securities in public companies	—	3
<b>Total other current assets</b>	<b>418</b>	<b>407</b>

## 15. Right-of-use assets and Lease liabilities

### Right-of-use assets

Right-of-use assets as of December 31, 2022 and 2021 were comprised of the following:

(\$ millions)	2022	2021
Land	15	17
Buildings	347	326
Machinery & equipment and other assets	29	29
<b>Total right-of-use assets</b>	<b>391</b>	<b>372</b>

Depreciation charges of \$76 million and \$81 million for the years ended December 31, 2022 and 2021, respectively, are shown in the table below by underlying class of asset:

(\$ millions)	2022	2021
Land	1	1
Buildings	58	60
Machinery & equipment and other assets	17	20
<b>Total depreciation of right-of-use assets</b>	<b>76</b>	<b>81</b>

### Lease liabilities

Lease liabilities totaled \$430 million as of December 31, 2022, including \$71 million in current Lease liabilities and \$359 million in non-current Lease liabilities. The contractual maturities of the undiscounted lease liabilities as of December 31, 2022 and 2021, are as follows:

	Lease liabilities undiscounted	
(\$ millions)	2022	2021
Not later than one year	85	80
Between one and five years	226	197
Later than five years	233	237
<b>Total lease liabilities undiscounted</b>	<b>544</b>	<b>514</b>



	Lease liabilities	
(\$ millions)	2022	2021
Not later than one year	71	67
Between one and five years	180	157
Later than five years	179	182
<b>Total lease liabilities</b>	<b>430</b>	<b>406</b>

## Additional disclosures

The following table provides additional disclosures related to Right-of-use assets and Lease liabilities:

(\$ millions)	2022	2021
Interest expense on lease liabilities	15	13
Expense on short-term, low value and variable leases	3	7
Total cash outflows for leases	87	92
<i>Thereof:</i>		
<i>Lease liability payments<sup>(1)</sup></i>	<i>69</i>	<i>72</i>
<i>Interest payments<sup>(2)</sup></i>	<i>15</i>	<i>13</i>
<i>Short-term, low value and variable lease payments<sup>(2)</sup></i>	<i>3</i>	<i>7</i>

(1) Reported as cash outflows from financing activities net of lease incentives received

(2) Included within total net cash flows from operating activities



## 16. Non-current and current financial debts

The below table summarizes non-current and current Financial debts outstanding as of December 31, 2022 and 2021.

(\$ millions)	2022	2021
<b>Non-current financial debts</b>		
Facility B, floating rate debt due 2024	—	796
Facility C, floating rate debt due 2024	—	395
Local facilities (Japan), floating rate debt due 2023	—	47
2.750% Series 2026 Notes	497	496
2.375% Series 2028 Notes	527	—
3.000% Series 2029 Notes	994	993
2.600% Series 2030 Notes	746	745
5.375% Series 2032 Notes	692	—
3.800% Series 2049 Notes	494	494
5.750% Series 2052 Notes	591	—
Revolving facility, floating rate due 2026	—	—
<b>Total non-current financial debts</b>	<b>4,541</b>	<b>3,966</b>
<b>Current financial debts</b>		
Local facilities, floating rate:		
Japan	69	84
All others	2	17
Other short-term financial debts, floating rate	26	6
Derivatives	10	7
<b>Total current financial debts</b>	<b>107</b>	<b>114</b>
<b>Total financial debts</b>	<b>4,648</b>	<b>4,080</b>

Interest expense recognized for Financial debts, excluding lease liabilities, was \$110 million, \$95 million and \$94 million for the years ended December 31, 2022, 2021 and 2020, respectively. The weighted average interest rate on Financial debts was 2.7% and 2.3% in 2022 and 2021, respectively.

### Series 2028 Notes issuance

On May 31, 2022, AFBV issued EUR denominated senior notes due in 2028 ("Series 2028 Notes"). The Series 2028 Notes are unsecured senior obligations of AFBV issued and closed in a public offering and rank equally in right of payment with the Series 2026, Series 2029, Series 2030 and Series 2049 notes. The total principal of the Series 2028 Notes is \$533 million (EUR500 million) as of December 31, 2022. The Series 2028 Notes were issued at 99.476% with 2.375% interest payable annually in May, beginning in May 2023. The Series 2028 Notes were issued at a discount totaling \$3 million, which was recorded as a reduction to the carrying value of the Series 2028 Notes and will be amortized to Interest expense over the term of the Series 2028 Notes. AFBV incurred \$3 million of debt issuance costs, which were recorded as a reduction to the carrying value of the Series 2028 Notes and will be amortized to Other financial income & expense over the term of the Series 2028 Notes.

On May 31, 2022, the funds borrowed through the issuance of the Series 2028 Notes were used to fully repay the \$376 million (EUR350 million) Facility C term loan maturing in 2024 and repay \$160 million of the \$800 million Facility B term loan maturing in 2024. The transactions were accounted for as an extinguishment and partial extinguishment of a liability, respectively. Alcon recognized losses on extinguishment of \$1 million associated with the write-off of unamortized deferred financing costs in Other financial income & expense during the second quarter of 2022.



## 2022 Bridge Loan Facility

On September 14, 2022, AFC executed a \$900 million 2022 Bridge Loan Facility with J.P. Morgan Chase Bank, N.A. London Branch. The 2022 Bridge Loan Facility was fully guaranteed by the Company and was restricted for use in funding the acquisition of Aerie. On September 27, 2022, a Syndication Agreement was executed to add more financial institutions as new lenders, effective from September 28, 2022.

On November 21, 2022, in connection with the consummation of the Aerie acquisition, \$775 million of the financing commitments were drawn with net proceeds of \$771 million used for the acquisition of Aerie. AFC incurred \$4 million of debt issuance costs, which were recorded as a reduction to the carrying value of the 2022 Bridge Loan Facility.

## Series 2032 Notes and Series 2052 Notes issuance

On December 6, 2022, AFC issued senior notes due in 2032 ("Series 2032 Notes") and 2052 ("Series 2052 Notes"). The Series 2032 Notes and Series 2052 Notes are unsecured senior obligations of AFC issued and closed in a private offering and rank equally in right of payment with the Series 2026, Series 2028, Series 2029, Series 2030 and Series 2049 notes. The principal amounts of the Series 2032 Notes and Series 2052 Notes are \$700 million and \$600 million, respectively. The Series 2032 Notes and Series 2052 Notes were issued at a discount of \$4 million and \$2 million, respectively, which were recorded as a reduction to the carrying values of the Series 2032 Notes and Series 2052 Notes and will be amortized to Interest expense over the term of the notes. AFC incurred debt issuance costs of \$4 million and \$7 million for the Series 2032 Notes and Series 2052 Notes, respectively, which were recorded as a reduction to the carrying values of the Series 2032 Notes and Series 2052 Notes and will be amortized to Other financial income & expense over the term of the notes.

The Notes consist of the following:

- Series 2032 Notes - \$700 million due in 2032 issued at 99.458%, 5.375% interest is payable twice per year in December and June, beginning in June 2023.
- Series 2052 Notes - \$600 million due in 2052 issued at 99.674%, 5.750% interest is payable twice per year in December and June, beginning in June 2023.

Using the funds borrowed through the issuance of the Series 2032 Notes and Series 2052 Notes together with cash, the Company exercised its early redemption rights to fully repay the remaining \$640 million Facility B term loan and to fully repay the drawn amount of \$775 million under the 2022 Bridge Loan Facility, as required by the mandatory prepayment clause. Consequently, the undrawn commitment of the 2022 Bridge Loan Facility was cancelled. The transactions were accounted for as extinguishment of liabilities. Alcon recognized losses on extinguishment of \$4 million associated with the write-off of unamortized deferred financing costs in Other financial income & expense during the fourth quarter of 2022.

## Senior notes assumed in Aerie acquisition

As part of the Aerie acquisition, Alcon assumed Aerie's \$316.2 million convertible senior notes due on October 1, 2024. The convertible notes were issued at 1.500% interest payable semi-annually on April 1 and October 1 of each year. Following the delisting of Aerie on November 21, 2022, the senior notes were no longer convertible to equity. On December 20, 2022, Alcon made payments of \$316.0 million to note holders and \$0.2 million remained outstanding as of December 31, 2022.

## Series 2030 Notes issuance

On May 27, 2020, AFC issued senior notes due in 2030 ("Series 2030 Notes"). 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 principal 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.

## Revolving Facility

In February 2021, the \$1.0 billion Revolving Facility was extended to March 2026. The Revolving Facility remained undrawn as of December 31, 2022.



## Local bilateral facilities

Alcon holds a number of local bilateral facilities in different countries with the largest share of borrowings in Japan. Two local bilateral facilities in Japan matured in February 2021 and were refinanced by three facilities with one and two year maturities. During the year ended December 31, 2022, changes in financial debts for local bilateral facilities primarily included the movement of balances from non-current to current and payment of certain local bilateral facilities in Japan. In addition, one local bilateral facility in Japan matured in February 2022 and was renewed for another one year term. As of December 31, 2022, a total of \$69 million was drawn in Japan and is classified as current with a maturity date of one year or less. There was \$101 million undrawn on the facilities in Japan as of December 31, 2022.

## Guarantees

The Series 2026, 2028, 2029, 2030, 2032, 2049 and 2052 Notes, the three local bilateral facilities in Japan and the undrawn Revolving Facility are guaranteed by the Company.

## Maturity of contractual undiscounted cash flows and interest payment commitments

The following table provides details on the maturity of the contractual undiscounted cash flows for Alcon's borrowings as of December 31, 2022 and 2021:

(\$ millions)	2022			2021		
	Nominal amount - Current and non-current financial debt	Derivatives	Total	Nominal amount - Current and non-current financial debt	Derivatives	Total
Not later than one year	97	10	107	107	7	114
Between one and five years	500	—	500	1,743	—	1,743
Later than five years	4,083	—	4,083	2,250	—	2,250
<b>Total contractual undiscounted cash flows</b>	<b>4,680</b>	<b>10</b>	<b>4,690</b>	<b>4,100</b>	<b>7</b>	<b>4,107</b>
Unamortized debt discount and issuance costs	(42)	—	(42)	(27)	—	(27)
<b>Total carrying value</b>	<b>4,638</b>	<b>10</b>	<b>4,648</b>	<b>4,073</b>	<b>7</b>	<b>4,080</b>

The following table provides details on the maturity of the future contractual interest payments commitments as of December 31, 2022 and 2021:

(\$ millions)	2022	2021
Not later than one year	169	94
Between one and five years	651	340
Later than five years	1,563	583
<b>Total cash flows</b>	<b>2,383</b>	<b>1,017</b>



## 17. Financial instruments - additional disclosures

The below table provides detail related to financial instruments as of December 31, 2022 and December 31, 2021.

(\$ millions)	Note	2022	2021
<b>Cash and cash equivalents</b>			
Cash in current accounts		281	246
Cash held in time deposits and money market funds		699	1,329
<b>Total cash and cash equivalents</b>		<b>980</b>	<b>1,575</b>
<b>Financial assets - measured at fair value through other comprehensive income ("FVOCI")</b>			
Long-term financial investments	11	88	46
<b>Total financial assets - measured at FVOCI</b>		<b>88</b>	<b>46</b>
<b>Financial assets - measured at amortized costs<sup>(1)</sup></b>			
Trade receivables	13	1,673	1,496
Income tax receivables		13	9
Other current assets (excluding prepaid expenses and other current assets measured at FVPL)	14	303	309
Long-term receivables from customers	11	119	110
Non-current minimum lease payments from finance lease agreements	11	38	35
Long-term loans, advances and security deposits	11	22	20
<b>Total financial assets - measured at amortized costs</b>		<b>2,168</b>	<b>1,979</b>
<b>Financial assets - measured at fair value through profit and loss ("FVPL")</b>			
Equity securities of public companies	14	—	3
Deferred compensation assets	11	139	155
Derivative financial instruments	14	8	3
Long-term financial investments	11	20	6
<b>Total financial assets - measured at FVPL</b>		<b>167</b>	<b>167</b>
<b>Total financial assets</b>		<b>3,403</b>	<b>3,767</b>
<b>Financial liabilities - measured at amortized cost or cost<sup>(1)</sup></b>			
<b>Current financial liabilities</b>			
Financial debts	16	97	107
Lease liabilities	15	71	67
Trade payables		861	903
<b>Total current financial liabilities - measured at amortized cost or cost</b>		<b>1,029</b>	<b>1,077</b>
<b>Non-current financial liabilities</b>			
Financial debts	16	4,541	3,966
Lease liabilities	15	359	339
<b>Total non-current financial liabilities - measured at amortized cost or cost</b>		<b>4,900</b>	<b>4,305</b>
<b>Total financial liabilities - measured at amortized cost or cost</b>		<b>5,929</b>	<b>5,382</b>
<b>Financial liabilities - measured at FVPL</b>			
Contingent consideration liabilities	18	98	112
Derivative financial instruments	16	10	7
<b>Total financial liabilities - measured at FVPL</b>		<b>108</b>	<b>119</b>
<b>Total financial liabilities</b>		<b>6,037</b>	<b>5,501</b>
<b>Net financial assets and financial liabilities</b>		<b>(2,634)</b>	<b>(1,734)</b>

- (1) The carrying amount is a reasonable approximation of fair value, with the exception of the Series 2026, 2028, 2029, 2030, 2032, 2049 and 2052 Notes recorded in Non-current financial debts with a fair value of \$4,145 million and carrying value of \$4,541 million as of December 31, 2022. As of December 31, 2021, the Series 2026, 2029, 2030 and 2049 Notes recorded in Non-current financial debts had a fair value of \$2,891 million and carrying value of \$2,728 million. The fair value of notes was determined using Level 2 inputs. The notes were valued using a quoted market price for such notes, which have low trading volumes.



## Fair value by hierarchy

As required by IFRS, financial assets and liabilities recorded at fair value in the Consolidated 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, equity securities of public companies 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 the Consolidated Balance Sheet.

Investments in equity securities of public companies are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

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 the Level 3 fair value hierarchy are equity securities and convertible notes receivable of private companies measured at FVOCI, fund investments, options to acquire private companies, and contingent consideration liabilities measured at FVPL.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

The following tables summarize financial assets and liabilities measured at fair value on a recurring basis or at amortized cost or cost as of December 31, 2022 and December 31, 2021.

(\$ millions)	December 31, 2022				Total
	Level 1	Level 2	Level 3	Valued at amortized cost or cost	
<b>Non-current financial assets</b>					
Long-term financial investments measured at FVOCI	—	—	88	—	88
Long-term financial investments measured at FVPL	—	—	20	—	20
Long-term receivables from customers	—	—	—	119	119
Deferred compensation assets <sup>(1)</sup>	139	—	—	—	139
Non-current minimum lease payments from finance lease agreements	—	—	—	38	38
Long-term loans, advances and security deposits	—	—	—	22	22
<b>Non-current financial assets</b>	<b>139</b>	<b>—</b>	<b>108</b>	<b>179</b>	<b>426</b>
<b>Current financial assets</b>					
Money market funds	229	—	—	—	229
Current portion of long-term receivables from customers <sup>(2)</sup>	—	—	—	102	102
Current portion of minimum lease payments from finance lease agreements <sup>(2)</sup>	—	—	—	25	25
VAT receivables <sup>(2)</sup>	—	—	—	99	99
Other receivables, security deposits and current assets <sup>(2)</sup>	—	—	—	77	77
Derivative financial instruments <sup>(2)</sup>	—	8	—	—	8
<b>Current financial assets</b>	<b>229</b>	<b>8</b>	<b>—</b>	<b>303</b>	<b>540</b>
<b>Financial assets at fair value and amortized cost or cost</b>	<b>368</b>	<b>8</b>	<b>108</b>	<b>482</b>	<b>966</b>
<b>Financial liabilities</b>					
Contingent consideration liabilities	—	—	(98)	—	(98)
Non-current financial debt	—	—	—	(4,541)	(4,541)
Current financial debt	—	—	—	(97)	(97)
Derivative financial instruments	—	(10)	—	—	(10)
<b>Financial liabilities at fair value and amortized cost</b>	<b>—</b>	<b>(10)</b>	<b>(98)</b>	<b>(4,638)</b>	<b>(4,746)</b>

(1) Recorded in Other non-current assets.

(2) Recorded in Other current assets.



	December 31, 2021				
(\$ millions)	Level 1	Level 2	Level 3	Valued at amortized cost or cost	Total
<b>Non-current financial assets</b>					
Long-term financial investments measured at FVOCI	—	—	46	—	46
Long-term financial investments measured at FVPL	—	—	6	—	6
Long-term receivables from customers	—	—	—	110	110
Deferred compensation assets <sup>(1)</sup>	155	—	—	—	155
Non-current minimum lease payments from finance lease agreements	—	—	—	35	35
Long-term loans, advances and security deposits	—	—	—	20	20
<b>Non-current financial assets</b>	<b>155</b>	<b>—</b>	<b>52</b>	<b>165</b>	<b>372</b>
<b>Current financial assets</b>					
Money market funds	624	—	—	—	624
Equity securities of public companies <sup>(2)</sup>	3	—	—	—	3
Current portion of long-term receivables from customers <sup>(2)</sup>	—	—	—	97	97
Current portion of minimum lease payments from finance lease agreements <sup>(2)</sup>	—	—	—	28	28
VAT receivables <sup>(2)</sup>	—	—	—	105	105
Other receivables, security deposits and current assets <sup>(2)</sup>	—	—	—	79	79
Derivative financial instruments <sup>(2)</sup>	—	3	—	—	3
<b>Current financial assets</b>	<b>627</b>	<b>3</b>	<b>—</b>	<b>309</b>	<b>939</b>
<b>Financial assets at fair value and amortized cost or cost</b>	<b>782</b>	<b>3</b>	<b>52</b>	<b>474</b>	<b>1,311</b>
<b>Financial liabilities</b>					
Contingent consideration liabilities	—	—	(112)	—	(112)
Non-current financial debt	—	—	—	(3,966)	(3,966)
Current financial debt	—	—	—	(107)	(107)
Derivative financial instruments	—	(7)	—	—	(7)
<b>Financial liabilities at fair value and amortized cost</b>	<b>—</b>	<b>(7)</b>	<b>(112)</b>	<b>(4,073)</b>	<b>(4,192)</b>

(1) Recorded in Other non-current assets.

(2) Recorded in Other current assets

There were no transfers of financial instruments between levels in the fair value hierarchy during the years ended December 31, 2022 and December 31, 2021.



## 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	
	2022	2021	2022	2021
<b>Balance as of January 1</b>	<b>46</b>	<b>28</b>	<b>6</b>	<b>24</b>
Additions	45	18	—	—
(Loss) recognized in Consolidated Statement of Comprehensive Income/(Loss)	(2)	—	—	—
Unrealized gain/(loss) in Consolidated Income Statement	—	—	14	(3)
Amortization	—	—	—	(12)
Settlement	(1)	—	—	(3)
<b>Balance as of December 31</b>	<b>88</b>	<b>46</b>	<b>20</b>	<b>6</b>

If the pricing parameters for the Level 3 inputs were to change for Long-term financial investments measured at FVOCI and Financial investments measurement at FVPL by 10% positively or negatively, this would change the amount recorded in the 2022 Consolidated Statement of Comprehensive Income/(Loss) by \$11 million.

## Financial liabilities

(\$ millions)	Contingent consideration liabilities	
	2022	2021
<b>Balance as of January 1</b>	<b>(112)</b>	<b>(157)</b>
Accretion for passage of time	(9)	(12)
Adjustments for changes in assumptions	23	42
Payments	—	15
<b>Balance as of December 31</b>	<b>(98)</b>	<b>(112)</b>

Changes in contingent consideration liabilities in the current year include adjustments for changes in assumptions of \$23 million, primarily due to revised expectations for achievement and timing of settlement for development and commercial milestones. As of December 31, 2022, the probability of success for various development and commercial milestones ranges from 55% to 57% and the maximum remaining potential payments related to contingent consideration from business combinations is \$395 million, plus other amounts calculated as a percentage of commercial sales in cases where there is not a specified maximum contractual payment amount. The estimation of probability typically depends on factors such as technical milestones or market performance and is adjusted for the probability of payment. If material, probable payments are appropriately discounted to reflect the impact of time.

Changes in contingent consideration liabilities in the prior year included adjustments for changes in assumptions of \$42 million, primarily due to revised expectations for achievement of commercial milestones related to the fully impaired CGU in the Surgical reportable segment discussed in Note 9 and timing of settlement for development and commercial milestones. The prior year also included a payment of \$15 million related to achievement of a development milestone. As of December 31, 2021, the probability of success for various development and commercial milestones ranged from 55% to 80% and the maximum remaining potential payments related to contingent consideration from business combinations was \$395 million, plus other amounts calculated as a percentage of commercial sales in cases where there is not a specified maximum contractual payment amount.

Contingent consideration liabilities are reported in "Provisions & other non-current liabilities" based on the projected timing of settlement which is estimated to range from 2028 through 2034 for contingent consideration obligations as of December 31, 2022.

For the determination of the fair value of a contingent consideration various unobservable inputs are used. A change in these inputs might result in a significantly higher or lower fair value measurement. The inputs used are, among others, the probability of success, sales forecast and assumptions regarding the discount rate, timing and different scenarios of triggering events. The significance and usage of these inputs to each contingent consideration may vary due to differences in the timing and triggering events for payments or in the nature of the asset related to the contingent consideration.



As the most significant Level 3 input, if the probability of success were to change by 10% positively or negatively, this would change the amount recorded for contingent consideration payables in the 2022 Consolidated Income Statement by \$18 million.

## Derivatives

As of December 31, 2022, the net value of unsettled positions for derivative forward contracts and swaps was \$2 million, including \$8 million of unrealized gains in Other current assets and \$10 million of unrealized losses in Current financial debts. As of December 31, 2021, the net value of unsettled positions for derivative forward contracts and swaps was \$4 million, including \$3 million of unrealized gains in Other current assets and \$7 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 December 31, 2022 or December 31, 2021.

## Nature and extent of risks arising from financial instruments

### Market risk

Alcon is exposed to market risk, primarily related to foreign currency exchange rates, interest rates and the market value of investments of liquid funds. Alcon actively monitors and seeks to reduce, where it deems it appropriate to do so, fluctuations in these exposures. It is Alcon policy and practice to enter into a variety of derivative financial instruments to manage the volatility of these exposures and to enhance the yield on the investment of liquid funds. Alcon does not enter into any financial transactions containing a risk that cannot be quantified at the time the transaction is concluded. In addition, Alcon does not sell short assets it does not have, or does not know it will have, in the future. Alcon only sells existing assets or enters into transactions and future transactions (in the case of anticipatory hedges) that it confidently expects it will have in the future, based on past experience. In the case of liquid funds, Alcon may write call options on assets it has, or write put options on positions it wants to acquire and has the liquidity to acquire. Alcon expects that any loss in value for these instruments generally would be offset by increases in the value of the underlying transactions.

### Foreign currency exchange rate risk

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

Alcon manages its global currency exposure by engaging in hedging transactions where management deems appropriate (forward contracts and swaps). Specifically, Alcon enters into various contracts that reflect the changes in the value of foreign currency exchange rates to preserve the value of assets. Refer to Note 2 to these Consolidated Financial Statements for information regarding the hyperinflationary economies in which Alcon operates.

### Interest rate risk

Alcon's exposure to cash flow interest rate risks arises from the portion of financial debts at variable rates. Alcon may enter into interest rate swap agreements, in which it exchanges periodic payments based on a notional amount and agreed-upon fixed and variable rate interests. If the interest rates had been higher / lower by 1% in 2022, the income before taxes would have been lower / higher by \$9 million from the impacts of interest expense based on the change in the interest rate. As of December 31, 2022, 98% of Alcon's financial debt is at fixed interest rates materially reducing future exposure to cash flow interest rate risk.

### Commodity price risk

Alcon is currently experiencing inflation and supply chain challenges due to global economic challenges to procure certain components and has exposure to price risk related to anticipated purchases of certain commodities used as raw materials by Alcon's businesses. A change in those prices may alter the gross margin of a specific business, but generally not by more than 10% of the gross margin and thus below Alcon's risk management tolerance levels. Alcon primarily manages inflationary pressures through pricing actions and productivity initiatives. Based on historical and anticipated price fluctuations, Alcon does not enter into significant forward and option contracts to manage fluctuations in prices of anticipated purchases.



### 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. For further information, refer to Note 13 of these Consolidated Financial Statements.

No customer accounted for 10% or more of Alcon's net sales in 2022, 2021 or 2020.

### Liquidity risk

Liquidity risk is defined as the risk that Alcon may 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. For further information on maturity of the contractual undiscounted cash flows for Alcon's borrowings and interest on borrowings, refer to Note 16 of these Consolidated Financial Statements.

## 18. Provisions and other non-current liabilities

The below table provides details related to Provisions and other non-current liabilities as of December 31, 2022 and 2021:

(\$ millions)	Note	2022	2021
Accrued liability for employee benefits:			
Defined benefit pension plans	22	175	295
Other long-term employee benefits and deferred compensation		160	177
Other post-employment benefits	22	221	300
Provisions for litigation and other legal matters		—	—
Contingent consideration	17	98	112
Other non-current liabilities		132	56
<b>Total provisions and other non-current liabilities</b>		<b>786</b>	<b>940</b>

Alcon believes that its total provisions are adequate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, Alcon may incur additional costs beyond the amounts provided. Management believes that such additional amounts, if any, would not be material to Alcon's financial condition but could be material to the results of operations or cash flows in a given period.

### Provisions for litigation and other legal matters

Alcon has established provisions for certain litigation and other legal matters, where a potential cash outflow is probable and a reliable estimate can be made of the amount of the outflow. These provisions represent the current best estimate of the total financial effect for these matters. Potential cash outflows reflected in a provision may be fully or partially offset by insurance in certain circumstances.

Alcon has not established provisions for potential damage awards for certain additional legal claims if Alcon currently believes that a payment is either not probable or cannot be reliably estimated. A number of other legal matters are in such early stages or the issues presented are such that Alcon has not made any provisions since it cannot currently estimate either a potential outcome or the amount of any potential losses. For these reasons, among others, Alcon generally is unable to make a reliable estimate of possible loss with respect to such cases. It is therefore not practicable to provide information about the potential financial impact of those cases.

There might also be cases for which Alcon was able to make a reliable estimate of the possible loss or the range of possible loss, but Alcon believes that publication of such information on a case-by-case basis would prejudice Alcon's position in ongoing legal proceedings or in any related settlement discussions. Accordingly, in such cases, information would be disclosed with respect to the nature of the contingency, but no disclosure is provided as to an estimate of the possible loss or range of possible loss.

Note 25 contains additional information on contingencies.



## Summary of significant legal proceedings

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, intellectual property, including under the Hatch-Waxman Act, and anti-bribery matters such as those under the Foreign Corrupt Practices Act of 1977 ("FCPA"), as amended.

As a result, Alcon may become subject to substantial liabilities that may not be covered by insurance and could affect Alcon's 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. The following is a summary as of February 27, 2023 of significant legal proceedings to which Alcon or its subsidiaries were or are currently a party.

### Contact lenses class actions

Beginning in the first quarter of 2015, more than 50 class action complaints were filed in several courts across the US naming as defendants contact lens manufacturers, including Alcon, and alleging violations of federal antitrust law, as well as the antitrust, consumer protection and unfair competition laws of various states, in connection with the implementation of unilateral price policies by the defendants in the sale of contact lenses. The cases were consolidated in the Middle District of Florida by the Judicial Panel on Multidistrict Litigation. On March 23, 2022, Alcon entered a settlement agreement under which it admitted no liability and subsequently paid \$20 million into a common fund for eligible members of a class consisting of retail purchasers of contact lenses that were subject to a unilateral price policy. In exchange, Alcon obtained a release of all claims asserted against it by the class during the third quarter of 2022. On October 12, 2022, the court approved Alcon's settlement of this matter and the case is now concluded.

### Hatch-Waxman patent litigation

From time to time, Alcon is a party to certain patent infringement proceedings in the US in connection with Notices of Paragraph IV Certification under the Hatch-Waxman Act received from third-party generic manufacturers respecting their applications for generic versions of certain products sold by or on behalf of Alcon, including *Simbrinza*, *Pataday*, *Rhopressa* and *Rocklatan*, or other similar suits.

During the third quarter of 2022, Alcon received a Paragraph IV Certification Letter under the Hatch-Waxman Act notifying Alcon that a generic drug company filed an application with the FDA seeking pre-patent expiry approval to sell a generic version of *Simbrinza* (brinzolamide/brimonidine tartrate ophthalmic suspension) 1%/0.2%. In October 2022, Alcon filed a patent infringement lawsuit in the US District Court for the District of Delaware against that generic drug company. The lawsuit, which asserts two patents, automatically stays FDA approval of the generic drug application for up to 30 months from receipt of the Paragraph IV Certification Letter (or earlier if the court renders a decision adverse to Alcon). The court has entered a schedule that sets trial for October 2024. Alcon intends to defend its patents in this case vigorously.

On January 31, 2022, prior to Alcon's acquisition of Aerie, Aerie received three Paragraph IV Certification Letters under the Hatch-Waxman Act notifying Aerie that three generic drug companies had filed applications to the FDA seeking pre-patent expiry approval to sell generic versions of *Rhopressa* and/or *Rocklatan*. On March 14, 2022, Aerie filed patent infringement lawsuits in the US District Court for the District of New Jersey against those generic drug companies. These lawsuits automatically stay FDA approval of the generic drug applications for up to 30 months from receipt of the respective Paragraph IV Certification Letters (or earlier if a court renders a decision adverse to Alcon). The lawsuits have been consolidated into a single case with a trial scheduled for January 2025. Alcon intends to defend its patents in this case vigorously.



### 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. JJSVI subsequently amended its complaint to include copyright infringement claims relating to, among other things, source code used in the *LenSx* Laser System as well as additional claims of patent infringement. Also beginning on June 23, 2020, JJSVI filed claims in Mannheim, Germany, alleging that Alcon directly infringes certain European patents through its manufacture and sale of *LenSx*. In these cases, JJSVI sought monetary and injunctive relief. Alcon defended all of these cases vigorously and asserted various patent infringement and invalidity claims against JJSVI in Europe and the US. Prior to the trial on the copyright claims in the Delaware action set for February 2023, the parties entered into a confidential settlement agreement to resolve all of the pending legal proceedings described above. As part of that resolution, the parties exchanged cross-licenses of certain intellectual property and other mutually agreed covenants and releases, and Alcon agreed to make a one-time payment to JJSVI of \$199 million, which was accrued as of December 31, 2022, for those rights and to resolve the parties' various worldwide intellectual property disputes concerning such devices.

### Hoya patent dispute

On December 11, 2020, Hoya Corporation and one of its affiliates filed suit against Alcon in the US District Court for the Northern District of Texas alleging that Alcon's *UltraSert* Pre-Loaded Delivery System infringes six of Hoya's US patents. The court denied in part Alcon's motion to dismiss Hoya's complaint on September 20, 2021. Trial is set for February 2024. Alcon intends to defend the case vigorously.

### 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 FCPA. 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.

### Litigation and other legal matters provision movements

(\$ millions)	2022	2021	2020
<b>January 1</b>	<b>53</b>	<b>—</b>	<b>—</b>
Additions to provisions	175	54	9
Cash payments	(21)	(1)	(9)
Releases of provisions	(1)	—	—
<b>December 31</b>	<b>206</b>	<b>53</b>	<b>—</b>
Less current portion	(206)	(53)	—
<b>Non-current provisions for litigation and other legal matters at December 31</b>	<b>—</b>	<b>—</b>	<b>—</b>

Alcon believes that its total provisions for litigation and other legal matters are adequate based upon currently available information. However, given the inherent difficulties in estimating liabilities, additional liabilities and costs may be incurred beyond the amounts provided.



## 19. Provisions and other current liabilities

The following table provides details related to Provisions and other current liabilities as of December 31, 2022 and 2021:

(\$ millions)	Note	2022	2021
Accruals for compensation and benefits including social security		465	489
Accruals for deductions from revenue		386	264
Deferred income		89	108
Taxes other than income taxes		98	93
Restructuring provisions		64	17
Accrued expenses for goods and services received but not invoiced		95	76
Accruals for royalties		12	10
Provisions for litigation and other legal matters	18	206	53
Accrued equity-based payments		12	14
Accrued interest on financial debts		31	19
Other payables		66	58
<b>Total provisions and other current liabilities</b>		<b>1,524</b>	<b>1,201</b>

Provisions and accruals are based upon management's best estimate and adjusted for actual experience. Such adjustments to the historical estimates have not been material.

### Accruals for deductions from revenue

The following table shows the movement of accruals for deductions from revenue:

(\$ millions)	2022	2021	2020
<b>January 1</b>	<b>264</b>	<b>217</b>	<b>212</b>
Additions	878	677	540
Impact of business combination	86	—	—
Payments/utilizations	(829)	(619)	(537)
Changes in offset against gross trade receivables	(3)	(5)	(2)
Currency translation effects	(10)	(6)	4
<b>December 31</b>	<b>386</b>	<b>264</b>	<b>217</b>

### Restructuring provisions

The following table shows the movement of restructuring provisions:

(\$ millions)	2022	2021	2020
<b>January 1</b>	<b>17</b>	<b>10</b>	<b>28</b>
Additions	72	21	22
Cash payments	(24)	(14)	(40)
Releases	(1)	—	—
<b>December 31</b>	<b>64</b>	<b>17</b>	<b>10</b>

In 2022, 2021 and 2020, additions to restructuring provisions of \$72 million, \$21 million and \$22 million, respectively, were primarily related to the multi-year transformation program initially announced by Alcon on November 19, 2019 and subsequently expanded as announced on November 15, 2022. The costs were mainly related to accrued severance for the associates whose positions will be eliminated.



## 20. Consolidated Statement of Cash Flows - additional details

The Consolidated Statement of Cash Flows was prepared in accordance with IAS 7, *Statement of Cash Flows*. The below tables provide additional detail supporting select line items in the Consolidated Statement of Cash Flows.

### 20.1 Depreciation, amortization, impairments and fair value adjustments

(\$ millions)	2022	2021	2020
Property, plant & equipment	332	323	299
Right-of-use assets	76	81	79
Intangible assets	715	815	1,245
Financial assets	(14)	3	5
Other non-current assets	2	(2)	(2)
<b>Total</b>	<b>1,111</b>	<b>1,220</b>	<b>1,626</b>

### 20.2 Change in net current assets and other operating cash flow items

(\$ millions)	2022	2021	2020
(Increase) in inventories	(217)	(326)	(159)
(Increase)/decrease in trade receivables	(164)	(198)	43
(Decrease)/increase in trade payables	(48)	60	(21)
Net change in other operating assets	(63)	(24)	127
Net change in other operating liabilities	(30)	174	(35)
<b>Total</b>	<b>(522)</b>	<b>(314)</b>	<b>(45)</b>

### 20.3 Reconciliation of assets and liabilities arising from financing activities

(\$ millions)	Financial Liabilities			
	Non-current financial debts	Current financial debts	Non-current lease liabilities	Current lease liabilities
<b>January 1, 2022</b>	<b>3,966</b>	<b>114</b>	<b>339</b>	<b>67</b>
Proceeds from non-current financial debts, net of issuance costs	1,815	—		
Repayment of non-current financial debts	(1,176)	—		
Proceeds from 2022 Bridge Loan Facility, net of issuance costs	—	771		
Repayment of 2022 Bridge Loan Facility	—	(775)		
Impact from business combination	—	316	22	5
Repayment of financial debts assumed in acquisition of business	—	(316)		
Additions to leases			68	13
Impact of asset acquisitions			2	1
Change in current financial debts	—	(42)		
Amortization of discounts on financial debts	1	—		
Payments of lease liabilities, net			—	(69)
Interest payments for amounts included in lease liabilities classified as cash flows from operating activities			—	(15)
Changes in fair values and other non-cash changes, net	5	8	(2)	13
Currency translation effects	(23)	(16)	(10)	(4)
Reclassification from non-current to current	(47)	47	(60)	60
<b>December 31, 2022</b>	<b>4,541</b>	<b>107</b>	<b>359</b>	<b>71</b>



(\$ millions)	Financial Liabilities			
	Non-current financial debts	Current financial debts	Non-current lease liabilities	Current lease liabilities
<b>January 1, 2021</b>	<b>3,949</b>	<b>169</b>	<b>315</b>	<b>70</b>
Proceeds from non-current financial debts, net of issuance costs	52	—		
Additions to leases			106	9
Change in current financial debts	—	(43)		
Amortization of discounts on financial debts	1	—		
Payments of lease liabilities, net			—	(72)
Interest payments for amounts included in lease liabilities classified as cash flows from operating activities			—	(13)
Changes in fair values and other non-cash changes, net	4	—	(2)	8
Currency translation effects	(40)	(12)	(10)	(5)
Reclassification from non-current to current	—	—	(70)	70
<b>December 31, 2021</b>	<b>3,966</b>	<b>114</b>	<b>339</b>	<b>67</b>

## 20.4 Additional disclosure of non-cash investing and financing activity

(\$ millions)	2022	2021	2020
Treasury stock issued for settlement of equity-based compensation plan, net of withholding taxes	128	63	54
Non-cash additions of right-of-use assets in exchange for a lease liability	81	115	107
Non-cash additions of property, plant & equipment	62	52	83
Non-cash additions of intangible assets	105	6	33



## 21. Acquisitions

### 21.1 Acquisition of business

#### Fair value of assets and liabilities arising from acquisition of business

The below table summarizes the preliminary purchase price allocation for business combinations for the years ended December 31, 2022, 2021 and 2020.

(\$ millions)	2022	2021	2020
Property, plant and equipment	27	—	—
Right-of-use assets	29	—	—
Currently marketed products	850	—	—
Acquired in-process research & development	175	—	—
Deferred tax assets	189	—	—
Inventories	49	—	—
Trade receivables	70	—	—
Short-term investments	79	—	—
Cash and cash equivalents	78	—	—
Other assets	15	—	—
Lease liabilities	(27)	—	—
Deferred tax liabilities	(255)	—	—
Provisions and other non-current and current liabilities	(235)	—	—
Current income tax liabilities	(46)	—	—
Trade payables	(3)	—	—
Financial debts	(316)	—	—
<b>Net identifiable assets acquired</b>	<b>679</b>	<b>—</b>	<b>—</b>
Goodwill	65	—	—
<b>Total purchase consideration</b>	<b>744</b>	<b>—</b>	<b>—</b>
Acquired liquidity	(78)	—	—
<b>Net assets recognized as a result of business combinations</b>	<b>666</b>	<b>—</b>	<b>—</b>

#### Vision care - Acquisition of Aerie Pharmaceuticals, Inc.

On November 21, 2022, Alcon acquired 100% of the outstanding shares and equity of Aerie, a pharmaceutical company focused on the discovery, development, manufacturing and commercialization of first-in-class ophthalmic therapies. The acquisition includes with the business among other assets, two commercial pharmaceutical ophthalmic eye drop products, *Rocklatan* and *Rhopressa*, as well as AR-15512, a Phase 3 product candidate for dry eye disease, and a pipeline of several ophthalmic pharmaceutical product candidates. This transaction helps bolster Alcon's presence in the ocular health space with its portfolio of commercial products and development pipeline within the Vision Care reportable segment. Pursuant to the terms of the Agreement and Plan of Merger, Alcon paid \$15.25 per share to acquire all outstanding shares of Aerie. The total purchase consideration amounted to \$744 million and total cash paid for the net identifiable assets recognized, net of cash acquired, was \$666 million.

The fair values of the acquired assets and assumed liabilities are provisional pending final measurement of the purchase consideration.

The short-term investments were liquidated subsequent to the acquisition.

Provisions and other non-current liabilities include a contingent liability of \$57 million recognized upon the acquisition of Aerie in 2022 related to uncertainty associated with potential contractual payment obligations in the event patents are issued in certain international markets, which may prevent commercialization of *Rocklatan* and *Rhopressa* in those markets. The estimated potential undiscounted amount and timing of all future payments that Alcon could be required to make is \$71 million in 2027. As of December 31, 2022, there has been no change in the amount recognized for the liability, except for the unwinding of the discount of \$0.3 million, as there has been no change in the assumptions.



The goodwill is attributable to assembled workforce and pharmaceutical research and development capabilities, including early stage compounds under development. The goodwill is not deductible for tax purposes.

Direct acquisition costs of \$20 million were recognized in Other expense in the Consolidated Income Statement during 2022 and were reported in operating cash flows in the Consolidated Statement of Cash Flows.

#### *Post-acquisition net sales and net loss attributable to Aerie*

For the period from the date of the Aerie acquisition, November 21, 2022, through December 31, 2022, the acquired business increased Alcon's 2022 net sales by \$16 million and reduced Alcon's 2022 net income by \$32 million.

#### *Unaudited Alcon consolidated pro forma net sales and net income*

If the Aerie acquisition had occurred on January 1, 2022, unaudited consolidated pro forma net sales and net income for the twelve months ended December 31, 2022 would have been approximately \$8,776 million and \$192 million, respectively. This pro forma information is presented for illustrative purposes only and may not be indicative of the results of operations that would have actually occurred. In addition, future results may vary significantly from the results reflected in the pro forma information. These estimated amounts have been calculated using Aerie's results of operation beginning January 1, 2022 and adjusting them for:

- alignment of the accounting policies between Alcon and Aerie;
- additional amortization that would have been charged assuming the fair value adjustments to inventories and intangible assets had been applied from January 1, 2022;
- add back of interest expense from Aerie's convertible senior notes to pro forma net income assuming senior notes would have been repaid on January 1, 2022;
- additional interest expense that would have been recorded assuming the Series 2032 Notes and Series 2052 Notes were issued on January 1, 2022 to the extent the proceeds were used to refinance the 2022 Bridge Loan Facility;
- exclusion of Aerie's pre-acquisition transaction costs; and
- tax effects of the above adjustments.

## 21.2 Acquisitions of assets

The below table summarizes the purchase price allocation for asset acquisitions for the years ended December 31, 2022, 2021 and 2020.

(\$ millions)	2022	2021	2020
Currently marketed products	385	—	—
Acquired in-process research & development	10	—	—
Other intangible assets (including software)	12	—	—
Deferred tax assets	57	—	—
Trade receivables	10	—	—
Inventory	16	—	—
Cash and cash equivalents	4	—	—
Other assets	6	—	—
Trade payables and other liabilities	(11)	—	—
<b>Net identifiable assets acquired</b>	<b>489</b>	<b>—</b>	<b>—</b>
Acquired liquidity	(4)	—	—
<b>Net assets recognized as a result of asset acquisitions</b>	<b>485</b>	<b>—</b>	<b>—</b>



During 2022, cash paid for acquisitions, net of cash acquired, was \$485 million, the most significant of which was \$477 million paid for Ivantis, Inc., described below.

### Surgical - Acquisition of Ivantis, Inc.

On January 7, 2022, Alcon acquired 100% of the outstanding shares and equity of Ivantis, Inc., a privately-held, US-based company and manufacturer of the *Hydrus* Microstent, a minimally-invasive glaucoma surgery ("MIGS") device designed to lower intraocular pressure for open-angle glaucoma patients. The acquisition expands Alcon's surgical portfolio and is expected to help provide a platform for more growth in the glaucoma space. Pursuant to the terms and subject to the conditions of the Option Agreement and Plan of Merger, as amended, Alcon agreed to pay total upfront consideration of \$479 million and additional amounts to be potentially paid upon achievement of a development milestone and commercial milestones calculated as a percentage of sales in excess of defined targets that expire in calendar year 2024.

The acquisition was accounted for as an asset acquisition rather than a business combination as substantially all of the fair value of the gross assets acquired is concentrated in the value of the *Hydrus* Microstent commercially marketed product intangible assets, being a group of identifiable assets. Consequently, a relative fair value approach was taken for allocating the consideration to the acquired assets and liabilities with no goodwill recognized.

During 2022, total cash paid for the acquisition, net of cash acquired, was \$477 million. Direct acquisition costs of \$2 million were capitalized.

## 22. Post-employment benefits for associates

### Defined benefit plans

In addition to the legally required social security schemes, Alcon has sponsored numerous independent pension and other post-employment benefit plans. In most cases, these plans are externally funded in entities that are legally separate from Alcon. For certain subsidiaries, however, no independent plan assets exist for the pension and other post-employment benefit obligations of associates. In these cases the related unfunded liability is included in the Consolidated Balance Sheet. The value of the post-employment benefits promised under the pension and other post-employment benefit plans is represented by the defined benefit obligation ("DBO"), which is measured based on the projected unit credit method ("PUC"). Independent actuaries reappraise the DBOs of all major pension and other post-employment benefit plans annually. Plan assets are recognized at fair value.

The major pension and other post-employment benefit plans are based in Switzerland, the United States, Germany, and the United Kingdom. As of December 31, 2022, these plans represent 88% of Alcon's total DBO and are independently sponsored by Alcon. Details of the plans in those significant countries are provided below.

The pension plans in Switzerland represent the most significant portion of Alcon's total pension DBO and the largest component of Alcon's total plan assets. The principal plan in Switzerland is funded and open for new joiners. For the Swiss pension plan, active insured members' benefits are partially linked to the contributions paid into the plan. Certain features of the Swiss pension plan required by law preclude the plan from being categorized as a defined contribution plan. These factors include a minimum interest guarantee on retirement savings accounts, a pre-determined factor for converting the accumulated savings account balance into a pension and embedded death and disability benefits. All benefits granted under a Swiss-based principal pension plan are vested, and Swiss legislation prescribes that the employer has to contribute a fixed percentage of an associate's pay to an external pension foundation. Additional employer contributions may be required whenever the foundation's statutory funding ratio falls below a certain level. The associate also contributes to the plan.

Alcon's Swiss pension obligation is set-up under an Alcon-sponsored arrangement affiliated with Copré La Collective de Prévoyance ("Copré") – a Swiss collective foundation. As a collective foundation, Copré is governed by its own board of trustees which is responsible for the foundation regulations and asset investment strategy for multiple entities participating in the collective foundation. Alcon maintains its own pension committee, consisting of representatives nominated by Alcon and the active insured associates. During the fourth quarter of 2021, Copré announced the rates to be used to convert participant balances to pension annuities for 2024 to 2026. This announcement resulted in a plan amendment with a benefit of \$15 million recognized in Other income and a corresponding decrease in the DBO. During the third quarter of 2020, the selection of Copré resulted in a plan amendment with past service costs of \$12 million recognized in Other expense and a corresponding increase in the DBO.

The United States pension plans represent the second largest component of Alcon's total pension DBO and the third largest component of Alcon's total plan assets. The principal plan (Qualified Plan) is funded, whereas the plans providing additional benefits for executives (Defined Benefit Restoration Plan and Grandfathered Supplemental Executive Plan) are



unfunded. Benefits in the Qualified Plan and Restoration Plan are frozen for all participants. Employer contributions are required for the Qualified Plan whenever the statutory funding ratio falls below a certain level. Furthermore, the United States other post-employment benefit plans (US OPEB plans) represent 99% of the total DBO for other post-employment benefit plans. These benefits in the US primarily consist of post-employment healthcare which has been closed to new members since 2015. Effective January 1, 2021, the Alcon sponsored group health plan for current and future eligible retired participants age 65 and over was changed to a private Medicare marketplace while providing an annual notional contribution to a Health Reimbursement Account for each covered member and spouse. The impact of the plan amendment in the fourth quarter of 2020 was a benefit of \$164 million recognized in Other income and a corresponding decrease in the DBO in Provisions and other non-current liabilities. There is no statutory funding requirement for the US OPEB plans.

The major pension arrangements in Germany are governed by the Occupational Pensions Act ("BetrAVG") and represent the third largest component of Alcon's total pension DBO and the fifth largest component of Alcon's total plan assets. The plans are partly funded by a Contractual Trust arrangement or direct insurances. The employer is responsible for contributing the premiums to the insurances and paying certain benefits when they fall due. All plans are closed for new entrants and the benefits are fully vested for all participants. For some participants the benefits are based on final salary and length of employment, and for others the benefit is earned each year based on the current salary in the year of service. Associates do not contribute towards the cost of the benefits.

The pension plan in the United Kingdom represents the fourth largest component of Alcon's total pension DBO and the second largest component of Alcon's total plan assets. The plan is closed with only former Alcon associates entitled to current or future benefits. The Alcon United Kingdom Pension Scheme is governed and administered by a board of trustees in accordance with its Trust Deed. United Kingdom legislation requires that pension schemes are funded prudently (i.e., to a level in excess of the "best estimate" expected cost of providing benefits). Funding is assessed on a triennial basis using (prudent) assumptions agreed by the board of trustees and Alcon. The board of trustees is responsible for jointly agreeing with Alcon the level of contributions needed to eliminate any shortfall over a reasonable period of time, typically not exceeding 10 years. Under the governing documentation, if a surplus remains once liabilities have been settled it would be refunded to Alcon.

Alcon has two pension plans with a surplus that is not recognized on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)**

The following tables summarize the funded and unfunded DBO for pension and other post-employment benefit plans of Alcon associates at December 31, 2022 and 2021:

(\$ millions)	Pension plans		Other post-employment benefit plans	
	2022	2021	2022	2021
<b>Benefit obligation at January 1</b>	<b>791</b>	<b>817</b>	<b>300</b>	<b>332</b>
Current service cost	20	24	8	10
Interest cost	12	9	8	7
Past service costs and settlements	(3)	(38)	—	—
Administrative expenses	2	1	—	—
Remeasurement (gains) arising from changes in financial assumptions	(185)	(22)	(62)	(12)
Remeasurement (gains)/losses arising from changes in demographic assumptions	(15)	—	—	1
Remeasurement losses/(gains) arising from experience-related changes	3	67	(19)	(25)
Currency translation effects	(31)	(35)	—	—
Benefit payments	(36)	(37)	(18)	(17)
Contributions of associates	5	5	4	4
<b>Benefit obligation at December 31</b>	<b>563</b>	<b>791</b>	<b>221</b>	<b>300</b>
<b>Fair value of plan assets at January 1</b>	<b>541</b>	<b>519</b>	<b>—</b>	<b>—</b>
Interest income	8	6	—	—
Return on plan assets excluding interest income	(93)	49	—	—
Currency translation effects	(27)	(18)	—	—
Employer contributions	19	23	14	13
Contributions of associates	5	5	4	4
Settlements	—	(20)	—	—
Benefit payments	(36)	(37)	(18)	(17)
Effect of acquisitions, divestments or transfers	—	14	—	—
<b>Fair value of plan assets at December 31</b>	<b>417</b>	<b>541</b>	<b>—</b>	<b>—</b>
<b>Funded status</b>	<b>(146)</b>	<b>(250)</b>	<b>(221)</b>	<b>(300)</b>
<b>Limitation on recognition of fund surplus at January 1</b>	<b>(20)</b>	<b>(17)</b>		
Change in limitation on recognition of fund surplus (including exchange rate differences)	(1)	(3)		
<b>Limitation on recognition of fund surplus at December 31</b>	<b>(21)</b>	<b>(20)</b>		
<b>Net liability in the balance sheet at December 31</b>	<b>(167)</b>	<b>(270)</b>	<b>(221)</b>	<b>(300)</b>



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

The reconciliation of the net liability from January 1 to December 31 is as follows:

(\$ millions)	Pension plans		Other post-employment benefit plans	
	2022	2021	2022	2021
<b>Net liability at January 1</b>	<b>(270)</b>	<b>(315)</b>	<b>(300)</b>	<b>(332)</b>
Current service cost	(20)	(24)	(8)	(10)
Net interest expense	(4)	(3)	(8)	(7)
Administrative expenses	(2)	(1)	—	—
Past service costs and settlements	3	18	—	—
Remeasurements	104	4	81	36
Currency translation effects	4	17	—	—
Employer contributions	19	23	14	13
Effect of acquisitions, divestments or transfers	—	14	—	—
Change in limitation on recognition of fund surplus	(1)	(3)	—	—
<b>Net liability at December 31</b>	<b>(167)</b>	<b>(270)</b>	<b>(221)</b>	<b>(300)</b>

## Amounts recognized in the balance sheet

Prepaid benefit cost	8	25	—	—
Accrued benefit liability	(175)	(295)	(221)	(300)

The following tables provide detail of the DBO for pension plans by geography and type of member and of plan assets based on the geographical locations in which they are held:

(\$ millions)	2022					Total
	Switzerland	United States	Germany	United Kingdom	Rest of the world	
<b>By type of member</b>						
Active	(207)	(32)	(38)	—	(79)	(356)
Deferred pensioners	(6)	(28)	(18)	(33)	(9)	(94)
Pensioners	(23)	(35)	(21)	(25)	(9)	(113)
<b>Benefit obligation at December 31</b>	<b>(236)</b>	<b>(95)</b>	<b>(77)</b>	<b>(58)</b>	<b>(97)</b>	<b>(563)</b>
<i>Thereof: unfunded plans</i>	35	24	—	—	19	78
<i>Thereof: unfunded portion of funded plans</i>	26	7	60	—	4	97
<i>Prepaid benefit costs and assets subject to limitation on recognition of fund surplus</i>	—	—	—	(6)	(23)	(29)
<b>Fair value of plan assets at December 31</b>	<b>175</b>	<b>64</b>	<b>17</b>	<b>64</b>	<b>97</b>	<b>417</b>
<b>Funded status</b>	<b>(61)</b>	<b>(31)</b>	<b>(60)</b>	<b>6</b>	<b>—</b>	<b>(146)</b>



(\$ millions)	2021					Total
	Switzerland	United States	Germany	United Kingdom	Rest of the world	
<b>By type of member</b>						
Active	(295)	(43)	(64)	—	(99)	(501)
Deferred pensioners	(11)	(41)	(28)	(57)	(14)	(151)
Pensioners	(23)	(42)	(23)	(40)	(11)	(139)
<b>Benefit obligation at December 31</b>	<b>(329)</b>	<b>(126)</b>	<b>(115)</b>	<b>(97)</b>	<b>(124)</b>	<b>(791)</b>
<i>Thereof: unfunded plans</i>	47	29	—	—	23	99
<i>Thereof: unfunded portion of funded plans</i>	87	6	94	—	9	196
<i>Prepaid benefit costs and assets subject to limitation on recognition of fund surplus</i>	—	—	—	(24)	(21)	(45)
<b>Fair value of plan assets at December 31</b>	<b>195</b>	<b>91</b>	<b>21</b>	<b>121</b>	<b>113</b>	<b>541</b>
<b>Funded status</b>	<b>(134)</b>	<b>(35)</b>	<b>(94)</b>	<b>24</b>	<b>(11)</b>	<b>(250)</b>

The following table shows the principal weighted average actuarial assumptions used for calculating defined benefit plans and other post-employment benefits of Alcon associates:

	Pension plans		Other post-employment benefit plans	
	2022	2021	2022	2021
Discount rate	3.6 %	1.4 %	5.3 %	2.7 %
Expected rate of pension increase	1.1 %	1.1 %		
Expected rate of salary increase	2.5 %	2.2 %		
Interest on savings account	2.9 %	1.3 %		
Current average life expectancy for a 65-year-old male (in years)	20	20	21	21
Current average life expectancy for a 65-year-old female (in years)	22	22	23	23

The following table shows additional details related to the weighted average discount rates for the principal plan for each significant country:

	Pension plans		Other post-employment benefit plans	
	2022	2021	2022	2021
Switzerland	2.2 %	0.2 %		
United States	5.3 %	2.8 %	5.3 %	2.7 %
Germany	3.7 %	1.2 %		
United Kingdom	4.8 %	1.9 %		

Changes in the aforementioned actuarial assumptions can result in significant volatility in the accounting for pension plans and other post-employment benefit plans in the Consolidated Financial Statements. This can result in substantial changes in Alcon's other comprehensive income, non-current liabilities and prepaid pension assets.

The DBO is significantly impacted by assumptions related to the rate used to discount the actuarially determined post-employment benefit liability. This rate is based on yields of high-quality corporate bonds in the country of the plan. Increasing corporate bond yields increase the discount rate. An increase in the discount rate results in a decrease in the DBO and an increase in the funded status.

The impact of increasing interest rates on a plan's assets is more difficult to predict. A significant part of plan assets is invested in bonds. Bond values typically are inversely correlated to interest rates. Bond values usually decrease when interest rates rise and may therefore partially offset the increase in the funded status. Furthermore, pension assets also



include significant holdings of equity instruments. Share prices tend to fall when interest rates increase and therefore often offset the positive impact of the decreasing DBO on the funded status (although the correlation of interest rates with returns on equities is not as strong as with bonds, especially in the short term).

The assumption for the expected rate for pension increases significantly affects the DBO of most plans in Switzerland, Germany and the United Kingdom. While the average rate remained flat in the current year at 1.1%, such pension increases generally decrease the funded status, although there is no strong correlation between the value of the plan assets and pension/inflation increases.

Assumptions regarding life expectancy significantly impact the DBO. While the life expectancy assumption remained flat in the current year, generally an increase in longevity increases the DBO. There is no offsetting impact from the plan assets, as no longevity bonds or swaps are held by the pension funds. Generational mortality tables are used where this data is available.

The following table shows the sensitivity of the defined benefit pension and other post-employment benefit obligations to the principal actuarial assumptions as of December 31, 2022:

(\$ millions)	(Decrease)/increase in 2022 year-end liability
25 basis point increase in discount rate	(22)
25 basis point decrease in discount rate	23
1 year increase in life expectancy	14
25 basis point increase in rate of pension increase	6
25 basis point decrease in rate of pension increase <sup>(1)</sup>	(3)
25 basis point increase of interest on savings account	2
25 basis point decrease of interest on savings account	(3)
25 basis point increase in rate of salary increase	3
25 basis point decrease in rate of salary increase	(3)

(1) Decrease in rate of pension increase is limited to zero.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes of the assumptions may be correlated. When calculating the sensitivity of the DBO to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the PUC method at the end of the reporting period) has been applied as when calculating the net liability recognized in the Consolidated Balance Sheet.

The healthcare cost trend rate assumptions used for other post-employment benefits are as follows:

	2022	2021	2020
Healthcare cost trend rate assumed for next year	6.3 %	6.2 %	6.2 %
Rate to which the cost trend rate is assumed to decline	4.5 %	4.5 %	4.5 %
Year that the rate reaches the ultimate trend rate	2030	2029	2028



The following table shows the weighted average plan asset allocation of funded defined benefit pension plans at December 31, 2022, and 2021:

(as a percentage)	Pension plans		2022	2021
	Long-term target minimum	Long-term target maximum		
Equity securities	15	40	37	35
Debt securities	20	60	34	40
Real estate	5	20	14	11
Alternative investments	0	20	12	11
Cash and other investments	0	15	3	3
<b>Total</b>			<b>100</b>	<b>100</b>

Cash and most of the equity and debt securities have a quoted market price in an active market. Real estate and alternative investments, which include hedge fund and private equity investments, usually do not have a quoted market price.

The strategic allocation of assets of the different pension plans is determined with the objective of achieving an investment return that, together with employer contributions and contributions of associates (where applicable), is sufficient to manage the various funding risks of the plans. Based upon the market and economic environments, actual asset allocations may temporarily be permitted to deviate from policy targets.

The weighted average duration of the DBO is 11.6 years and 15.5 years as of December 31, 2022 and December 31, 2021, respectively.

Alcon's ordinary contribution to the various pension plans is based on the rules of each plan and its respective country. Additional contributions are made whenever required by local statute or law (i.e., usually when statutory funding levels fall below predetermined thresholds).

The following table summarizes expected future cash flows for pension and other post-employment benefit plans as of December 31, 2022:

(\$ millions)	Pension plans	Other post-employment benefit plans
<b>Employer contributions</b>		
2023 (estimated)	11	—
<b>Expected future benefit payments</b>		
2023	36	16
2024	43	18
2025	40	19
2026	34	20
2027	32	20
2028-2032	193	97

## Defined contribution plans

In many countries, associates are covered by defined contribution plans. Contributions charged to the 2022 Consolidated Income Statement for the defined contribution plans were \$144 million (2021: \$133 million; 2020: \$136 million).



## 23. Equity-based compensation

For the year ended December 31, 2022, Alcon recorded equity-based compensation expense of \$152 million (2021: \$151 million, 2020: \$113 million).

Liabilities from cash-settled equity-based compensation plans were \$12 million as of December 31, 2022 (\$14 million as of December 31, 2021).

At December 31, 2022, Alcon has various equity-based 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 Company's Board of Directors. Certain associates in select countries may also participate in share ownership savings plans.

### Summary of unvested share movements

The below table summarizes unvested share movements for all Alcon equity-based incentive plans through December 31, 2022 and 2021:

	2022			2021		
	Number of shares in thousands	Weighted average fair value at grant date in \$	Fair value at grant date in \$ millions	Number of shares in thousands	Weighted average fair value at grant date in \$	Fair value at grant date in \$ millions
<b>Unvested shares at January 1</b>	<b>5,627</b>	<b>60.96</b>	<b>343</b>	<b>5,417</b>	<b>54.90</b>	<b>297</b>
Granted						
Restricted awards	1,453	76.61	111	1,456	72.05	105
Performance awards	518	74.48	39	429	72.71	31
Vested	(2,447)	55.48	(136)	(1,258)	50.94	(64)
Forfeited	(358)	71.74	(26)	(417)	62.50	(26)
<b>Unvested shares at December 31</b>	<b>4,793</b>	<b>69.16</b>	<b>331</b>	<b>5,627</b>	<b>60.96</b>	<b>343</b>

The remaining weighted-average vesting period of unvested equity-based awards as of December 31, 2022 was 1.2 years.

### Equity-based incentive plans

The below table summarizes the number of shares authorized under the plans as of December 31, 2022:

(thousands)	Authorized shares
Long-term Incentive Plan	20,000
Deferred Bonus Stock Plan <sup>(1)</sup>	1,500
Swiss Employee Share Ownership Plan	475
Other share savings plans	275
<b>Total</b>	<b>22,250</b>

(1) Beginning in 2020, the annual incentives for the Alcon CEO and certain senior-level associates no longer include deferrals of compensation in the form of equity-based awards subject to the provisions of this plan. No grants were issued under this plan in 2022 and 2021.

### Long-term Incentive Plan ("LTIP") - Restricted Stock Units and Restricted Stock Awards

Under Alcon's LTIP, certain associates may receive grants of RSUs and RSAs (together "Restricted awards"). The awards generally vest on the third anniversary of the award and are generally forfeited if the employment relationship with Alcon terminates prior to vesting. Recipients of RSU awards do not have any shareholder rights, such as voting or dividend rights, until the shares are delivered. Alcon associates receiving grants of RSAs are entitled to the dividends that may be declared and paid over the vesting period only if the associates vest in such award.

### LTIP - Performance Stock Units

The Alcon CEO and certain senior-level associates participate in Alcon's long-term performance program. PSUs granted under the LTIP each convert to one unrestricted Alcon Inc. share at vesting, subject to the achievement of performance measures.



PSUs awarded to plan participants are granted at target incentive ranges from 35% to 430% of base compensation and vest over a three-year period. The payout between 0% and 200% of target is dependent upon four equally weighted performance metrics which are determined at the onset of the performance period by the Company's Board of Directors. The metrics include compound annual growth rate of Net sales, compound annual growth rate of core EPS, market share of peers, and innovation. The Company's Board of Directors and the Compensation Committee assess the performance against the defined measures, including input from the Innovation Committee for the innovation metric, and approve the final payout. PSUs granted under the performance plan do not carry voting rights, but do carry dividend equivalents that are paid in cash or Alcon Inc. shares at vesting, provided participants remain associates of Alcon.

### Swiss Employee Share Ownership Plan and other share savings plans

Alcon associates in certain countries are encouraged to invest in share savings plans. Under the share savings plans, participants may elect to receive some of their wages or annual incentives in Alcon Inc. shares in lieu of cash. Subject to plan rules and limitations, as a reward for their participation in the share savings plans, at no additional cost to the participant, Alcon may partially match their investments in shares after a holding period of 3 years.

## 24. Related parties transactions

### Executive officers

The following table summarizes compensation information for key management personnel:

(\$ millions)	2022	2021	2020
Cash and other compensation	18.7	19.3	12.8
Post-employment benefits	0.9	0.9	1.1
Equity-based compensation	22.4	20.9	9.2
<b>Total</b>	<b>42.0</b>	<b>41.1</b>	<b>23.1</b>

## 25. Commitments and contingencies

### Commitments

#### Research & development

Alcon has entered into long-term research agreements with various institutions which provide for potential milestone payments and other payments by Alcon that may be capitalized. As of December 31, 2022, the commitments to make payments under those agreements, and their estimated timing, were as follows:

(\$ millions)	2022
2023	6
2024	18
2025	24
2026	3
2027	41
Thereafter	83
<b>Total</b>	<b>175</b>

#### Other

Alcon entered into various purchase commitments for services and materials as well as for equipment in the ordinary course of business. These commitments are generally entered into at current market prices and reflect normal business operations. For disclosure of Property, plant and equipment purchase commitments, see Note 8.



## Contingencies

The Alcon companies have to observe the laws, government orders and regulations of the country in which they operate.

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, intellectual property including under the Hatch-Waxman Act, and anti-bribery matters such as those under the FCPA, as amended. As a result, Alcon may become subject to substantial liabilities that may not be covered by insurance and could affect Alcon's 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.

Governments and regulatory authorities around the world have been stepping up their compliance and law enforcement activities in recent years in key areas, including marketing practices, pricing, corruption, trade restrictions, embargo legislation, insider trading, antitrust, cyber security and data privacy. Further, when one government or regulatory authority undertakes an investigation, it is not uncommon for other governments or regulators to undertake investigations regarding the same or similar matters. Responding to such investigations is costly and requires an increasing amount of management's time and attention. In addition, such investigations may affect Alcon's reputation, create a risk of potential exclusion from government reimbursement programs in the United States and other countries, and may lead to (or arise from) litigation. These factors have contributed to decisions by Alcon and other companies in the healthcare industry, when deemed in their interest, to enter into settlement agreements with governmental authorities around the world prior to any formal decision by the authorities or a court. Those government settlements have involved and may continue to involve, in current government investigations and proceedings, large cash payments, sometimes in the hundreds of millions of dollars or more, including the potential repayment of amounts allegedly obtained improperly and other penalties, including treble damages. In addition, settlements of government healthcare fraud cases often require companies to enter into corporate integrity agreements, which are intended to regulate company behavior for a period of years. Also, matters underlying governmental investigations and settlements may be the subject of separate private litigation.

While provisions have been made for probable losses, which management deems to be reasonable or appropriate, there are uncertainties connected with these estimates. Note 18 contains additional information on these matters.

Alcon is involved in legal proceedings concerning intellectual property rights. The inherent unpredictability of such proceedings means that there can be no assurances as to their ultimate outcome. A negative result in any such proceeding could potentially adversely affect the ability of certain Alcon companies to sell their products, or require the payment of substantial damages or royalties.

Alcon's potential for environmental remediation liability is assessed based on a risk assessment and investigation of the various sites identified by Alcon as at risk for environmental remediation exposure. Alcon's future remediation expenses are affected by a number of uncertainties. These uncertainties include, but are not limited to, the method and extent of remediation, the percentage of material attributable to Alcon at the remediation sites relative to that attributable to other parties, and the financial capabilities of the other potentially responsible parties.

Alcon has no significant environmental liabilities as at December 31, 2022 and 2021 and has incurred no significant remediation costs for the years ended December 31, 2022, 2021 and 2020.

## 26. Subsequent events

On February 14, 2023, three local bilateral facilities in Japan with commitments totaling \$170 million (JPY22.5 billion) maturing in February 2023 were refinanced by three facilities with two year maturities.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

Refer to Note 18 to these Consolidated Financial Statements for information on any updates to significant legal proceedings subsequent to December 31, 2022.

On February 27, 2023, the Company's Board of Directors (the "Board") approved the proposal to submit the 2022 financial statements of Alcon Inc. and these Consolidated Financial Statements for approval at the Annual General Meeting on May 5, 2023. Additionally on February 27, 2023, the Board proposed a dividend of CHF 0.21 per share to be approved at the same Annual General Meeting. If approved by the shareholders, the total dividend payments would amount to a maximum of approximately \$113 million using the CHF/USD exchange rate as of February 21, 2023.

The Board has evaluated subsequent events as they relate to Alcon for potential recognition or disclosures from January 1, 2023 to the date of the approval of these Consolidated Financial Statements and has determined there are no additional subsequent events to be reported in these Consolidated Financial Statements.



## 27. Alcon subsidiaries

The following table lists the subsidiaries of Alcon Inc. with Total assets or Net sales to third parties in excess of \$5 million included in the Consolidated Financial Statements at and for the year ended December 31, 2022, respectively. The equity interest percentage shown in the table represents Alcon's share in voting rights in those entities. Unless otherwise stated, each entity has share capital consisting of equity held directly by the Company or another of its consolidated subsidiaries.

Country of organization/Entity name	Place of business	Equity interest
<b>Argentina</b>		
Alcon Laboratorios Argentina S.A.	Buenos Aires	100 %
<b>Australia</b>		
Alcon Laboratories (Australia) Pty Ltd	Macquarie Park	100 %
<b>Austria</b>		
Alcon Ophthalmika GmbH	Wien	100 %
<b>Belgium</b>		
Alcon Laboratories Belgium BVBA	Puurs	100 %
Alcon N.V.	Vilvoorde	100 %
<b>Brazil</b>		
Alcon Brasil Cuidados com a Saúde Ltda.	São Paulo	100 %
<b>Canada</b>		
Alcon Canada Inc.	Mississauga, Ontario	100 %
<b>Chile</b>		
Alcon Laboratorios Chile Ltd.	Santiago de Chile	100 %
<b>China</b>		
Alcon (China) Ophthalmic Product Co., Ltd.	Beijing	100 %
Alcon Hong Kong Limited	Hong Kong	100 %
<b>Colombia</b>		
Laboratorios Alcon de Colombia S.A.	Santafé de Bogotá	100 %
<b>Czech Republic</b>		
Alcon Pharmaceuticals (Czech Republic) s.r.o.	Prague	100 %
<b>Denmark</b>		
Alcon Nordic A/S	Copenhagen	100 %
<b>Ecuador</b>		
AlconLab Ecuador S.A.	Quito	100 %
<b>France</b>		
Laboratoires Alcon S.A.S.	Rueil-Malmaison	100 %
<b>Germany</b>		
Alcon Deutschland GmbH	Freiburg im Breisgau	100 %
CIBA Vision GmbH	Grosswallstadt	100 %
WaveLight GmbH	Erlangen	100 %
<b>Greece</b>		
Alcon Laboratories Hellas- Single Member Commercial and Industrial S.A.C.I.	Maroussi, Athens	100 %
<b>Hungary</b>		
Alcon Hungary Pharmaceuticals Trading Limited Liability Company	Budapest	100 %
<b>India</b>		
Alcon Laboratories (India) Private Limited	Bangalore	100 %
<b>Indonesia</b>		
PT. CIBA Vision Batam	Batam	100 %
<b>Ireland</b>		
Alcon Laboratories Ireland Limited	Cork City	100 %
Aerie Pharmaceuticals Ireland Limited	Athlone	100 %
<b>Israel</b>		
Optonol Ltd.	Neve-Ilan	100 %
<b>Italy</b>		
Alcon Italia S.p.A.	Milano	100 %
<b>Japan</b>		
Alcon Japan Ltd.	Tokyo	100 %



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)**

<b>Country of organization/Entity name</b>	<b>Place of business</b>	<b>Equity interest</b>
<b>Malaysia</b>		
Alcon Laboratories (Malaysia) Sdn. Bhd.	Petaling Jaya	100 %
CIBA Vision Johor Sdn. Bhd.	Johor	100 %
<b>Mexico</b>		
Alcon Laboratorios, S.A. de C.V.	Ciudad de Mexico	100 %
<b>Netherlands</b>		
Alcon Finance B.V.	Amsterdam	100 %
Alcon Nederland B.V.	Gorinchem	100 %
<b>New Zealand</b>		
Alcon Laboratories (New Zealand) Ltd.	Remuera	100 %
<b>Panama</b>		
Alcon Centroamerica S.A.	Panama City	100 %
<b>Peru</b>		
Alcon Pharmaceutical del Peru S.A.	Lima	100 %
<b>Philippines</b>		
Alcon Laboratories (Philippines), Inc.	Pasig City	100 %
<b>Poland</b>		
Alcon Polska Sp. z o.o.	Warszawa	100 %
<b>Portugal</b>		
Alcon Portugal-Produtos e Equipamentos Oftalmológicos Lda.	Porto Salvo	100 %
<b>Puerto Rico</b>		
Alcon (Puerto Rico), Inc.	Cataño, PR	100 %
<b>Romania</b>		
Alcon Romania S.R.L.	Bucharest	100 %
<b>Russian Federation</b>		
Alcon Farmaceutika LLC	Moscow	100 %
<b>Singapore</b>		
Alcon Pte Ltd	Singapore	100 %
Alcon Singapore Manufacturing Pte Ltd	Singapore	100 %
CIBA Vision Asian Manufacturing and Logistics Pte Ltd.	Singapore	100 %
<b>South Africa</b>		
Alcon Laboratories (South Africa) (Pty) Ltd.	Midrand	100 %
<b>South Korea</b>		
Alcon Korea Ltd.	Seoul	100 %
<b>Spain</b>		
Alcon Healthcare S.A.	Barcelona	100 %
<b>Switzerland</b>		
Alcon Grieshaber AG	Schaffhausen	100 %
Alcon Management SA	Vernier	100 %
Alcon Pharmaceuticals Ltd.	Fribourg	100 %
Alcon Services AG	Fribourg	100 %
Alcon Switzerland SA	Zug	100 %
<b>Thailand</b>		
Alcon Laboratories (Thailand) Limited	Bangkok	100 %
<b>Turkey</b>		
Alcon Laboratuvarlari Ticaret A.S.	Istanbul	100 %
<b>Ukraine</b>		
Alcon Ukraine LLC	Kiev	100 %



Country of organization/Entity name	Place of business	Equity interest
<b>United Kingdom</b>		
Alcon Eye Care UK Limited	Frimley/Camberley	100 %
<b>United States of America</b>		
Aerie Distribution, Inc.	Fort Worth, TX	100 %
Aerie Pharmaceuticals, Inc.	Fort Worth, TX	100 %
Alcon Finance Corporation	Fort Worth, TX	100 %
Alcon Laboratories, Inc.	Fort Worth, TX	100 %
Alcon RefractiveHorizons, LLC	Fort Worth, TX	100 %
Alcon Research, LLC	Fort Worth, TX	100 %
Alcon Vision, LLC	Fort Worth, TX	100 %
CIBA Vision, LLC	Fort Worth, TX	100 %
WaveLight, Inc.	Fort Worth, TX	100 %
Ivantis, Inc.	Fort Worth, TX	100 %
MDBackline, Inc.	Fort Worth, TX	100 %
PowerVision, Inc.	Fort Worth, TX	100 %
Tear Film Innovations, Inc.	Fort Worth, TX	100 %
TrueVision Systems, Inc.	Fort Worth, TX	100 %
<b>Uruguay</b>		
Alcon Laboratorios Uruguay S.A.	Montevideo	100 %



# REPORT OF THE STATUTORY AUDITOR

to the General Meeting of Alcon Inc.

Fribourg

## Report on the audit of the consolidated financial statements

### Opinion

We have audited the consolidated financial statements of Alcon Inc. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2022 and the consolidated income statement, consolidated statement of comprehensive income/(loss), consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages F-1 to F-67) give a true and fair view of the consolidated financial position of the Group as at December 31, 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

### Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Our audit approach

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#### Overview



Overall Group materiality: USD 50 million

We conducted full scope audit work at 9 reporting entities in two countries. In addition, specified procedures or full scope audit work on account balances was performed at 12 reporting entities in 10 countries. Our audit scope addressed 77% of the Group's net sales to third parties.

As key audit matters, the following areas of focus have been identified:

- Goodwill and Alcon Brand Name Impairment Assessments
  - In-Process Research and Development Intangible Asset Impairment Assessments
  - Valuation of Intangible Assets Acquired in the Aerie Pharmaceuticals, Inc. Business Combination
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## Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

<b>Overall Group materiality</b>	USD 50 million
<b>Benchmark applied</b>	Overall Group materiality was determined based on an assessment of relevant benchmarks including unadjusted EBITDA and “Core” EBITDA, net sales to third parties, pre-tax net income and “Core” pre-tax net income.
<b>Rationale for the materiality benchmark applied</b>	We chose these benchmarks because, in our view, they are the measures against which the performance of the Group is most commonly assessed. The benchmark metrics noted provided a range, from which we determined the overall Group materiality.

We agreed with the Audit and Risk Committee that we would report to them misstatements above USD 5 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

## Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of over 80 reporting entities operating worldwide. The accounting function is primarily disaggregated across the Group with each entity reporting local financial information to the Group. The Group uses shared service centers for certain accounting functions in most countries across the organization, with six located in the United States, Switzerland, Poland, India, Malaysia and Mexico. The Group’s corporate functions (including accounting for associated companies, consolidation, taxation, treasury, litigation and certain employee benefits) are managed centrally between the United States and Switzerland.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgments were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

To exercise the appropriate direction and supervision over the work of the reporting entity audit teams, the Group audit team reviewed audit working papers, held virtual meetings with the reporting entity audit teams, and virtually attended selected meetings between local management and the reporting entity audit teams.



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Goodwill and Alcon Brand Name Impairment Assessments

Key audit matter	How our audit addressed the key audit matter
<p>As described in Notes 2 and 9 to the consolidated financial statements, as of December 31, 2022 the Group had USD 9.0 billion of goodwill, as well as a USD 3.0 billion indefinite life intangible asset related to the Alcon brand name. An impairment assessment on goodwill and indefinite life intangible assets, which is performed over the groupings of cash generating units containing goodwill or the Alcon brand name, is performed at least annually. A cash generating unit to which goodwill has been allocated is considered impaired when its carrying amount, including the goodwill, exceeds its recoverable amount, which is defined as the higher of its fair value less costs of disposal and its value in use. An intangible asset other than goodwill is considered impaired when its balance sheet carrying amount exceeds its estimated recoverable amount, which is defined as the higher of its fair value less costs of disposal and its value in use. Usually, management applies the fair value less costs of disposal method for its impairment assessment. In most cases, no direct or indirect observable market prices for identical or similar assets are available to measure the fair value less costs of disposal. Therefore, an estimate of fair value less costs of disposal is based on net present value techniques utilizing post-tax cash flows and discount rates. The estimates of the fair value less costs of disposal involve significant judgment by management and include assumptions with measurement uncertainty, such as the amount and timing of projected cash flows, long-term sales forecasts, terminal growth rate, discount rate, and additionally for the Alcon brand name, royalty rate.</p> <p>The principal considerations for our determination that performing procedures relating to the goodwill and Alcon brand name impairment assessments is a key audit matter are the significant judgment by management when estimating the fair value less costs of disposal, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating, for (i) goodwill, management's significant assumptions related to long-term sales forecasts and discount rate, and (ii) the Alcon brand name, management's significant assumptions related to long-term sales forecasts, discount rate and royalty rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.</p>	<p>Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill and the Alcon brand name impairment assessments, including controls over the estimation of the fair value less costs of disposal. These procedures also included, among others, testing management's process for developing the fair value less costs of disposal estimates; evaluating the appropriateness of the estimates; testing the completeness and accuracy of underlying data used; and evaluating the significant assumptions used by management related to long-term sales forecasts, discount rates and royalty rate. Evaluating management's assumptions related to long-term sales forecasts involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the business, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of management's valuation method and the discount rate and royalty rate significant assumptions.</p>



## In-Process Research and Development Intangible Asset Impairment Assessments

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### Key audit matter

As described in Notes 2 and 9 to the consolidated financial statements, as of December 31, 2022 the Group had USD 739 million of in-process research and development (IPR&D) intangible assets. IPR&D is evaluated for potential impairment on an annual basis or when facts and circumstances warrant. IPR&D is considered impaired when its carrying amount exceeds its estimated recoverable amount, which is defined as the higher of its fair value less costs of disposal and its value in use. Usually, management applies the fair value less costs of disposal method for its impairment assessments. Under this approach, fair value less costs of disposal is 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 of fair value less cost of disposal involve significant judgment by management and include assumptions with measurement uncertainty, such as the amount and timing of projected cash flows, long-term sales forecasts, discount rate and the timing and probability of success.

The principal considerations for our determination that performing procedures relating to the IPR&D intangible asset impairment assessment is a key audit matter are the significant judgment by management when estimating the fair value less costs of disposal, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant assumptions related to long-term sales forecasts, discount rates and probabilities of success. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

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### How our audit addressed the key audit matter

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's IPR&D intangible asset impairment assessments, including controls over the estimation of the fair value less costs of disposal. These procedures also included, among others, testing management's process for developing the fair value less costs of disposal estimates; evaluating the appropriateness of the estimates; testing the completeness and accuracy of underlying data used; and evaluating the significant assumptions used by management related to long-term sales forecasts, discount rates and probabilities of success. Evaluating management's assumptions related to long-term sales forecasts and probabilities of success involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the business, and (ii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Evaluating management's assumption related to long-term sales forecasts also involved considering consistency with external market and industry data. Professionals with specialized skill and knowledge were used to assist in the evaluation of management's valuation method and the discount rates significant assumption.



## Valuation of Intangible Assets Acquired in the Aerie Pharmaceuticals, Inc. Business Combination

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### Key audit matter

As described in Notes 2, 3 and 21 to the consolidated financial statements, the Group completed the acquisition of Aerie Pharmaceuticals, Inc. ("Aerie") for consideration of USD 744 million and assumed debt of USD 316 million in November 2022, which resulted in USD 850 million of definite lived intangible assets and a USD 175 million IPR&D intangible asset being recorded. Management primarily uses net present value techniques, utilizing post-tax cash flows and discount rates in estimating the fair value of identifiable intangible assets acquired when allocating the purchase consideration paid for the acquisition. The estimates of the fair value of identifiable intangible assets involve significant judgment by management and include assumptions with measurement uncertainty, such as the amount and timing of projected cash flows, long-term sales forecasts, discount rate, and additionally for the IPR&D intangible asset, the timing and probability of success.

The principal considerations for our determination that performing procedures relating to the valuation of intangible assets acquired in the Aerie Pharmaceuticals, Inc. business combination is a key audit matter are the significant judgment by management when developing the fair value estimate of the intangible assets acquired, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating for (i) definite lived intangible assets, management's significant assumptions related to long-term sales forecasts and discount rate, and (ii) the IPR&D intangible asset, management's significant assumptions related to long-term sales forecasts, discount rate and probability of success. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

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### How our audit addressed the key audit matter

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the acquisition accounting, including controls over management's valuation of the intangible assets. These procedures also included, among others (i) reading the purchase agreement and (ii) testing management's process for estimating the fair value of the intangible assets. Testing management's process included evaluating the appropriateness of the valuation methods, testing the completeness and accuracy of certain of the data used in the models and provided by management, and evaluating the reasonableness of significant assumptions used by management related to long-term sales forecasts, discount rate and probability of success. Evaluating management's assumptions related to long-term sales forecasts and probability of success involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the acquired business, and (ii) whether the assumption was consistent with evidence obtained in other areas of the audit. Evaluating management's assumptions related to long-term sales forecasts also involved considering the consistency with external market and industry data. Professionals with specialized skill and knowledge were used to assist in the evaluation of management's valuation method and the discount rate significant assumption.

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### Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the compensation report of Alcon Inc. and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



### Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

A handwritten signature in black ink, appearing to read 'Michael Foley'.

**Michael Foley**

Audit expert  
Auditor in charge

A handwritten signature in black ink, appearing to read 'Colin Johnson'.

**Colin Johnson**

Geneva, February 27, 2023



# FINANCIAL STATEMENTS OF ALCON INC.

**Audited Financial Statements**

Income Statement	<a href="#">A-2</a>
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Appropriation of Available Earnings and Reserves	<a href="#">A-11</a>
Report of the Statutory Auditor on the Financial Statements of Alcon Inc.	<a href="#">A-12</a>



# INCOME STATEMENT

(For the years ended December 31, 2022 and 2021)

(CHF thousands)	Note	2022	2021
Income from investments in Group subsidiaries		128,037	118,930
Other income	3	121,212	56,712
<b>Total income</b>		<b>249,249</b>	<b>175,642</b>
Impairment of investments in Group subsidiaries	4	—	(25,524)
Other expenses		(9,282)	(8,115)
<b>Total expenses</b>		<b>(9,282)</b>	<b>(33,639)</b>
<b>Operating income</b>		<b>239,967</b>	<b>142,003</b>
Financial income	5	32,665	23,939
Financial expenses	5	(19,093)	(11,308)
<b>Income before taxes</b>		<b>253,539</b>	<b>154,634</b>
Direct taxes		(18,363)	(2,746)
<b>Net income for the year</b>		<b>235,176</b>	<b>151,888</b>

The accompanying Notes are an integral part of these Financial Statements.



# BALANCE SHEET

(At December 31, 2022 and 2021)

(CHF thousands)	Note	2022	2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		147,756	45,732
Other current receivables due from Group subsidiaries		36,085	50,636
Short-term interest-bearing loan due from Group subsidiary	6	161,823	—
Prepaid expenses and accrued income		2,265	4,992
<b>Total current assets</b>		<b>347,929</b>	<b>101,360</b>
<b>Non-current assets</b>			
Long-term interest-bearing loans due from Group subsidiary	7	212,680	1,284,595
Investments in Group subsidiaries	4	17,320,197	17,297,113
<b>Total non-current assets</b>		<b>17,532,877</b>	<b>18,581,708</b>
<b>Total assets</b>		<b>17,880,806</b>	<b>18,683,068</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Short-term interest-bearing liability due to Group subsidiary	8	147,756	—
Other current liabilities			
Group subsidiaries		1,704	2,372
Related parties		700	687
Third parties		14,799	7,491
<b>Total current liabilities</b>		<b>164,959</b>	<b>10,550</b>
<b>Non-current liabilities</b>			
Long-term interest-bearing liabilities	9	—	1,093,589
<b>Total non-current liabilities</b>		<b>—</b>	<b>1,093,589</b>
<b>Equity</b>			
<b>Share capital</b>	10	<b>19,988</b>	<b>19,988</b>
<b>Legal capital reserves</b>			
General reserve		9,994	9,994
<b>Total legal reserves</b>		<b>9,994</b>	<b>9,994</b>
Free reserves	11	17,451,006	17,397,444
Net income for the year		235,176	151,888
Retained earnings available for distribution at year end		235,176	151,888
<b>Total unappropriated earnings and free reserves</b>		<b>17,686,182</b>	<b>17,549,332</b>
<b>Treasury shares held by Alcon Inc.</b>	12	<b>(317)</b>	<b>(385)</b>
<b>Total equity</b>		<b>17,715,847</b>	<b>17,578,929</b>
<b>Total liabilities and equity</b>		<b>17,880,806</b>	<b>18,683,068</b>

The accompanying Notes are an integral part of these Financial Statements.



# NOTES TO FINANCIAL STATEMENTS OF ALCON INC.

## 1. Introduction

Alcon Inc. (the "Company") is a stock corporation (Aktiengesellschaft) organized under the laws of Switzerland in accordance with article 620 et seq. of the Swiss Code of Obligations ("SCO") and registered as of September 21, 2018.

These Financial Statements of Alcon Inc., with registered office in Fribourg, were prepared according to the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Alcon Inc. is presenting its Consolidated Financial Statements according to IFRS ("International Financial Reporting Standards"). As a result, Alcon Inc. has applied the exemption included in art. 961d SCO and has not included additional disclosures, a cash flow statement or a management report in its Financial Statements.

Alcon Group is defined as Alcon Inc. and all of its direct and indirect subsidiaries.

## 2. Accounting policies

### Cash and cash equivalents

Cash and cash equivalents are valued at nominal value.

### Investments

Investments are initially recognized at cost, assessed annually for impairment triggers, and adjusted to their recoverable amount as needed.

### Loans granted to and from subsidiaries

Short and long term loans to and from Alcon Group subsidiaries are valued at nominal value under consideration of any impairment if needed.

### Prepaid expenses and accrued income

Interest-bearing liabilities are recognized in the balance sheet at nominal value. Fees related to arrange such financing are recognized as prepaid expenses and amortized on a straight-line basis over the loan period. Agency fees are expensed to the income statement.

### Treasury shares

Treasury shares are initially recognized at cost at the time of acquisition and recorded as a reduction of equity. Any subsequent sale of treasury shares resulting in a gain or loss is recorded in the income statement under other income or other expenses.



## NOTES TO FINANCIAL STATEMENTS OF ALCON INC. (Continued)

### Positions denominated in foreign currencies

The positions in the balance sheet denominated in foreign currencies are translated to CHF with the following foreign exchange rates as of December 31, 2022 and 2021:

Currency	2022	2021
USD	0.92470	0.91465
EUR	0.98503	1.03391

### 3. Other income

Other income includes solely income from subsequent sales of treasury shares as defined in Note 2.

### 4. Investments

The principal direct and indirect subsidiaries and other holdings of Alcon Inc. are shown in Note 27 to the Group's Consolidated Financial Statements.

During the year, Alcon Inc. did not impair any Group investment (2021: CHF 25,524,440) and disposed of one investment for a total of CHF 35,646 (2021: CHF 676,832).

(CHF thousands)	2022	2021
January 1	17,297,113	17,323,314
Additions	23,120	—
Impairments/Disposals	(36)	(26,201)
<b>Total</b>	<b>17,320,197</b>	<b>17,297,113</b>

### 5. Financial income and expenses

Starting 2022, foreign exchange gain and losses reported into financial income and expenses are presented net per currency. The 2021 figures were adjusted to conform with current period presentation.

(CHF thousands)	2022		2021		As per Financial Statements 2021	
	Income	Expenses	Income	Expenses	Income	Expenses
Guarantee income and Interest	32,586	(14,142)	21,977	(7,899)	21,977	(7,899)
Foreign exchange	79	(54)	1,962	(40)	14,232	(12,310)
Syndication / Bank fees	—	(4,897)	—	(3,369)	—	(3,369)
<b>Total</b>	<b>32,665</b>	<b>(19,093)</b>	<b>23,939</b>	<b>(11,308)</b>	<b>36,209</b>	<b>(23,578)</b>



## 6. Short-term interest-bearing loan due from group subsidiary

Original Borrower	Start date	Repayment date	(USD thousands)	(EUR thousands)	(CHF thousands)	Total
Alcon Pharmaceuticals Ltd.	December, 2022	December, 2023	175,000	—		161,823
<b>Total at December 31, 2022</b>						<b>161,823</b>

## 7. Long-term interest-bearing loans due from group subsidiary

In 2022, the loan was increased to CHF 213 million from CHF 191 million in 2021 and related maturity date extended to May 2024.

In 2022, the USD 800 million loan and the EUR 350 million loan were fully repaid.

Original Borrower	Start date	Repayment date	(USD thousands)	(EUR thousands)	(CHF thousands)	Total
Alcon Pharmaceuticals Ltd.	April, 2021	May, 2024	—	—		212,680
<b>Total at December 31, 2022</b>						<b>212,680</b>

Original Borrower	Start date	Repayment date	Tranche 1 (USD thousands)	Tranche 2 (EUR thousands)	(CHF thousands)	Total
Alcon Pharmaceuticals Ltd.	March, 2019	March, 2024	800,000	350,000		1,093,589
Alcon Pharmaceuticals Ltd.	April, 2021	May, 2023	—	—		191,006
<b>Total at December 31, 2021</b>						<b>1,284,595</b>

## 8. Short-term interest-bearing liability due to group subsidiary

Original Lender	Start date	Repayment date	(USD thousands)	(EUR thousands)	(CHF thousands)	Total
Alcon Pharmaceuticals Ltd.	May, 2022	May, 2023	—	150,000		147,756
<b>Total at December 31, 2022</b>						<b>147,756</b>



## NOTES TO FINANCIAL STATEMENTS OF ALCON INC. (Continued)

### 9. Long-term interest-bearing liabilities

As at December 31, 2021 the Company was liable, as part of a syndicated facility agreement with 11 international banks, for two loans of respectively USD 800 million (Facility B) and EUR 350 million (Facility C) nominal value with an initial maturity of 5 years at signing in 2019. The annual interest rate was set as a total of US denominated LIBOR and bank margin for Facility B and EURIBOR and bank margin for Facility C.

During 2022, the Company exercised its early redemption right and fully repaid the Facilities.

Original Borrower	Repayment date	Facility B (USD thousands)	Facility C (EUR thousands)	Total (CHF thousands)
Syndicated facilities as of December 31, 2021	March, 2024	800,000	350,000	1,093,589

### 10. Share capital

The share capital consists of 499,700,000 registered shares with a nominal value of CHF 0.04 (CHF 19,988,000).

#### Capital movements

	2022		2021	
	Number of shares	Share capital (CHF thousands)	Number of shares	Share capital (CHF thousands)
January 1	499,700,000,000	19,988,000	499,700,000,000	19,988,000
<b>Total</b>	<b>499,700,000,000</b>	<b>19,988,000</b>	<b>499,700,000,000</b>	<b>19,988,000</b>



## NOTES TO FINANCIAL STATEMENTS OF ALCON INC. (Continued)

### 11. Free reserves

(CHF thousands)	2022	2021
January 1	17,397,444	17,270,806
2020 Allocation	—	126,638
2021 Allocation	53,562	—
<b>Total</b>	<b>17,451,006</b>	<b>17,397,444</b>

The Annual General Meeting held on April 27, 2022 approved that, after dividend distribution, the remaining available earnings be carried forward.

No prior period contributions can be considered as capital contribution as per art. 5 para 1bis Withholding Tax Act and therefore are not eligible to be treated as a repayment of share capital.

### 12. Treasury shares

Alcon Inc. has met legal requirements for legal reserves under articles 659 et seq. SCO for treasury shares.

At December 31, 2022 share-based compensation transactions amounted to 1,694,545 shares (2021: 867,626 shares).

	2022		2021	
	Number of shares held by Alcon Inc.	Deduction from equity for treasury shares held by Alcon Inc. (CHF thousands)	Number of shares held by Alcon Inc.	Deduction from equity for treasury shares held by Alcon Inc. (CHF thousands)
January 1	9,613,019	(385)	10,480,645	(419)
Transferred	(1,694,545)	68	(867,626)	34
<b>Total</b>	<b>7,918,474</b>	<b>(317)</b>	<b>9,613,019</b>	<b>(385)</b>

### 13. Declaration of full time equivalent (FTE) employees

The Company employs less than 10 associates.

### 14. Shares held by management and administrative bodies

	Number of shares	
	2022	2021
Board of Directors	147,701	114,536
Alcon Executive Committee	886,846	769,680

Further information regarding the individual holding of the members of the Board of Directors and the Alcon Executive Committee is available in "Board of Directors Compensation 2022—Share Ownership of the Members of the Board of Directors" and "ECA Compensation 2022—Share Ownership of the ECA Members", respectively, of "Item 6.B Compensation" in the Annual Report.



## NOTES TO FINANCIAL STATEMENTS OF ALCON INC. (Continued)

### 15. Major shareholders

According to the Alcon share register, the following nominee shareholders held more than 5% of the share capital of Alcon Inc. as of December 31, 2022 and 2021:

	% Holding of share capital	
	2022	2021
Chase Nominees Ltd., London (UK)	7.66%	7.65%
Cede & Co (DTC nominee), New York, NY (USA)	20.92%	20.39%

In addition, according to disclosure notifications filed with (i) Alcon and the SIX Swiss Exchange pursuant to the obligations set forth in the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA) and/or (ii) the SEC related to beneficial ownership statements, the below companies held between 5% and 10% of the Company's total share capital as of December 31, 2022 and/or 2021, respectively, but were not registered with the Alcon share register:

	% Holding of share capital	
	2022	2021
BlackRock Inc., London, (UK)	Between 5% and 10%	Between 5% and 10%
WCM Investment Management, LLC, Laguna Beach, CA (USA)	Below 5%	Between 5% and 10%

### 16. Contingent liabilities

The Company is liable as unconditional guarantor for the below:

- A USD 2.75 billion (CHF 2.54 billion) senior notes issued by Alcon Finance Corporation.
- A USD 1.3 billion (CHF 1.2 billion) senior notes issued by Alcon Finance Corporation.
- A JPY 7.5 billion (CHF 0.05 billion) loan to Mizuho Bank Ltd borrowed by Alcon Japan Ltd.
- A JPY 7.5 billion (CHF 0.05 billion) loan to MUFG Bank Ltd borrowed by Alcon Japan Ltd.
- A JPY 7.5 billion (CHF 0.05 billion) loan to SMBC bank Ltd borrowed by Alcon Japan Ltd.
- A EUR 0.5 billion (CHF 0.49 billion) senior note issued by Alcon Finance BV.

As part of the facilities agreement mentioned in Note 9, Alcon Inc. is guaranteeing up to USD 1 billion (CHF 0.92 billion), the committed revolving credit facility available to Alcon Vision LLC, Alcon Finance Corp, APL and Alcon Inc. In December 2021, the Company amended the terms of the Facilities to incorporate a mechanism to switch at a later defined date from the Facilities' original interest rates to compounded risk-free rates ("RFR"), including any relevant credit adjustment spread. As of December 31, 2022 the revolving credit facility was not drawn down.

The Company is part of the Swiss Alcon value added tax ("VAT") group and is therefore jointly liable for existing and future VAT claims from Swiss Federal Tax Administration.



### 17. Significant events after the balance sheet date

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. JJSVI subsequently amended its complaint to include copyright infringement claims relating to, among other things, source code used in the *LenSx* Laser System as well as additional claims of patent infringement. Also beginning on June 23, 2020, JJSVI filed claims in Mannheim, Germany, alleging that Alcon directly infringes certain European patents through its manufacture and sale of *LenSx*. In these cases, JJSVI sought monetary and injunctive relief. Alcon defended all of these cases vigorously and asserted various patent infringement and invalidity claims against JJSVI in Europe and the US. Prior to the trial on the copyright claims in the Delaware action set for February 2023, the parties entered into a confidential settlement agreement to resolve all of the pending legal proceedings described above. As part of that resolution, the parties exchanged cross-licenses of certain intellectual property and other mutually agreed covenants and releases, and Alcon agreed to make a one-time payment to JJSVI of USD 199 million for those rights and to resolve the parties' various worldwide intellectual property disputes concerning such devices. Such financial impacts have been considered through Alcon Inc.'s subsidiaries.

The Board of Directors has evaluated subsequent events as they relate to the Company for potential recognition or disclosures from January 1, 2023 to the date of the approval of these Financial Statements and has determined there are no additional subsequent events to be reported in these Financial Statements.



# APPROPRIATION OF AVAILABLE EARNINGS FOR ALCON INC. AS PER BALANCE SHEET AND DECLARATION OF DIVIDEND

(CHF thousands)	2022	2021
<b>Available unappropriated earnings</b>		
Balance brought forward	17,549,332	17,446,597
Contribution to the general reserve	—	(160)
Dividend paid during the year	(98,326)	(48,993)
Net income for the year	235,176	151,888
<b>Total available earnings at the disposal of the Annual General Meeting</b>	<b>17,686,182</b>	<b>17,549,332</b>
Appropriation proposed by the Board of Directors (cash dividend)	(104,937)	(99,940)
<b>Total available earnings after appropriation of cash dividend</b>	<b>17,581,245</b>	<b>17,449,392</b>
Allocation to general reserve	—	—
<b>Balance to be carried forward after cash dividend and general reserve allocation</b>	<b>17,581,245</b>	<b>17,449,392</b>

For the year 2022, the Board of Directors proposes that out of the earnings available to the Annual General Meeting, a dividend of CHF 0.21 gross per registered share be distributed. Calculated on the total number of issued shares of 499,700,000, this corresponds to a maximum total amount of CHF 104.9 million.

In deciding on the appropriation of dividends, the Annual General Meeting shall take into account that Alcon Inc. will not pay dividends on own shares held by the Company.



# REPORT OF THE STATUTORY AUDITOR

to the General Meeting of Alcon Inc.

Fribourg

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Alcon Inc., which comprise the balance sheet as at December 31, 2022, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages A-1 to A-10) as at December 31, 2022 comply with Swiss law and the Company's Articles of Incorporation.

### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Our audit approach

#### Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

<b>Overall materiality</b>	CHF 178 million
<b>Benchmark applied</b>	Total assets
<b>Rationale for the materiality benchmark applied</b>	We chose total assets as the benchmark because, in our view, it is the benchmark which reflects the actual substance of the entity. This is a generally accepted benchmark for ultimate holding entities.

We agreed with the Audit and Risk Committee that we would report to them misstatements above CHF 8.9 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

#### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgments were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in



all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

### **Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority**

We have determined that there are no key audit matters to communicate in our report.

### **Responsibilities of the Board of Directors for the financial statements**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's Articles of Incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on other legal and regulatory requirements**

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings and reserves complies with Swiss law and the Company's Articles of Incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA



**Michael Foley**

Audit expert  
Auditor in charge



**Colin Johnson**

Geneva, February 27, 2023



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# Alcon

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