

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

FORM 6-K

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

August 9, 2022

Commission File Number: 001-31269

ALCON INC.

(Registrant Name)

**Rue Louis-d'Affry 6
1701 Fribourg, Switzerland**
(Address of principal executive office)

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

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

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

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press release issued by Alcon Inc. dated August 9, 2022 titled "Alcon Reports Second Quarter 2022 Results"
99.2	Alcon Inc. Interim Financial Report
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)

SIGNATURES

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

ALCON INC.

Date: August 9, 2022

By: /s/ David J. Endicott
Name: David J. Endicott
Title: Authorized Representative

Date: August 9, 2022

By: /s/ Timothy C. Stonesifer
Name: Timothy C. Stonesifer
Title: Authorized Representative

Alcon Reports Second Quarter 2022 Results

- Strong second quarter sales of \$2.2 billion, up 5%, or 10% constant currency (cc)
- Second quarter earnings of \$0.30 per diluted share, down 3%, or up 34% cc
- Second quarter core earnings of \$0.63 per diluted share, up 13%, or 30% cc
- Updated 2022 full year outlook reflects strong underlying operational performance, impacted by strength of US dollar

Ad Hoc Announcement Pursuant to Art. 53 LR

Geneva, August 9, 2022 - Alcon (SIX/NYSE:ALC), the global leader in eye care, reported its financial results for the three and six months ended June 30, 2022. For the second quarter of 2022, sales were \$2.2 billion, an increase of 5% on a reported basis and 10% on a constant currency basis⁽²⁾, as compared to the same quarter of the previous year. Alcon reported diluted earnings per share of \$0.30 and core diluted earnings per share of \$0.63.

Second quarter and first half 2022 key figures

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Net sales (\$ millions)	2,200	2,094	4,375	4,004
Operating margin (%)	9.1%	10.9%	10.2%	9.4%
Core operating margin (%) ⁽¹⁾	18.4%	18.2%	19.5%	18.1%
Diluted earnings per share (\$)	0.30	0.31	0.64	0.48
Core diluted earnings per share (\$) ⁽¹⁾	0.63	0.56	1.32	1.05

"Our second quarter results reflect the outstanding effort of the entire Alcon team. We worked diligently to offset the significant macroeconomic headwinds we saw in the quarter, and our team clearly delivered," said David J. Endicott, Alcon's Chief Executive Officer. "We see strong demand for our innovative products by doctors, patients and consumers around the world. This, coupled with ongoing recovery across international markets, drove another quarter of strong sales growth."

Mr. Endicott continued, "Looking forward, we expect the macroeconomic environment, particularly foreign exchange, to remain challenging for the rest of the year. Despite these headwinds, our focus will continue to be on executing new product launches, advancing our robust pipeline and driving profitability through operating leverage."

Second quarter 2022 results

Sales for the second quarter 2022 were \$2.2 billion, an increase of 5% on a reported basis and 10% on a constant currency basis, compared to the second quarter of 2021. Sales in both Surgical and Vision Care benefited from product innovation, continued recovery across international markets from the COVID-19 pandemic and sales from acquired products.

The following table highlights net sales by segment for the second quarter and first half of 2022:

(\$ millions unless indicated otherwise)	Three months ended June 30		Change %		Six months ended June 30		Change %	
	2022	2021	\$	cc ⁽²⁾	2022	2021	\$	cc ⁽²⁾
Surgical								
Implantables	444	387	15	21	899	731	23	29
Consumables	644	620	4	9	1,245	1,155	8	13
Equipment/other	208	199	5	10	411	397	4	8
Total Surgical	1,296	1,206	7	13	2,555	2,283	12	17
Vision Care								
Contact lenses	547	535	2	9	1,104	1,044	6	11
Ocular health	357	353	1	4	716	677	6	9
Total Vision Care	904	888	2	7	1,820	1,721	6	10
Net sales to third parties	2,200	2,094	5	10	4,375	4,004	9	14

Surgical growth driven by improvements across international markets and advanced technology intraocular lenses

Surgical net sales of \$1.3 billion, which include implantables, consumables and equipment/other, increased 7%, or 13% on a constant currency basis, compared to the second quarter of 2021. Implantables growth reflected improving conditions in international markets, the adoption of advanced technology intraocular lenses, led by *Vivity* and sales of the *Hydrus* Microstent following the recent acquisition of Ivantis. Consumables growth primarily reflected higher procedure volumes due to improving conditions across international markets. Growth in equipment/other was primarily driven by demand in international markets for cataract equipment, partially offset by declines in refractive equipment.

For the first half of 2022, Surgical net sales increased 12%, or 17% on a constant currency basis, versus the first half of 2021.

Vision Care growth driven by improvements across international markets and silicone hydrogel contact lenses

Vision Care net sales of \$0.9 billion, which include contact lenses and ocular health, increased 2%, or 7% on a constant currency basis, compared to the second quarter of 2021. Strong sales growth in contact lenses was partially offset by softer ocular health growth. Contact lens sales benefited from growth in silicone hydrogel contact lenses, including the *Precision1* and *Dailies Total1* product families and *Total30*, partially offset by declines in other reusable and non-silicone hydrogel daily lenses in the United States. Growth in ocular health was led by demand for *Systane* dry eye and *Simbrinza* glaucoma eye drops, as well as improvements across international markets, partially offset by supply chain challenges, primarily in contact lens care.

For the first half of 2022, Vision Care net sales increased 6%, or 10% on a constant currency basis, as compared to the first half of 2021.

Operating income

Second quarter 2022 operating income was \$200 million and operating margin was 9.1%. Operating margin increased 0.2 percentage points on a constant currency basis, driven by improved operating leverage from higher sales, partially offset by intangible asset impairments of \$61 million, increased inflationary impacts and higher amortization for intangible assets due to recent acquisitions. There was a negative 2.0% impact on operating margin from currency.

Adjustments to arrive at core operating income in the second quarter 2022 were \$205 million, mainly due to \$146 million of amortization and \$61 million of intangible asset impairments. Excluding these and other adjustments, second quarter 2022 core operating income was \$405 million.

Second quarter 2022 core operating margin of 18.4% increased 1.7 percentage points on a constant currency basis versus the second quarter of 2021 due to improved operating leverage from higher sales, partially offset by increased inflationary impacts. Foreign currency had a negative 1.5% impact on second quarter 2022 core operating margin.

Operating income for the first half of 2022 was \$446 million and operating margin was 10.2%, which increased 2.6 percentage points on a constant currency basis. Adjustments to arrive at core operating income in the first half of 2022 were \$407 million, mainly due to \$292 million of amortization, \$61 million of intangible asset impairments and a legal settlement. Excluding these and other adjustments, first half 2022 core operating income was \$853 million.

Core operating margin for the first half of 2022 of 19.5% increased 2.8 percentage points on a constant currency basis versus the first half of 2021. Foreign currency had a negative 1.4% impact on first half 2022 core operating margin.

Diluted earnings per share (EPS)

Second quarter 2022 diluted earnings per share of \$0.30 decreased 3%, or increased 34% on a constant currency basis. Core diluted earnings per share of \$0.63 increased 13%, or 30% on a constant currency basis.

First half 2022 diluted earnings per share of \$0.64 increased 33%, or 73% on a constant currency basis. Core diluted earnings per share of \$1.32 increased 26%, or 42% on a constant currency basis.

Balance sheet and cash flow highlights

The Company ended the first half of 2022 with a cash position of \$1 billion. Cash flows from operations for the first half of 2022 totaled \$470 million, compared to cash flows from operations of \$542 million in the prior year. The current year includes increased cash outflows from changes in net working capital, the timing of tax payments and a legal settlement payment, partially offset by higher sales.

Free cash flow⁽³⁾ was \$233 million in the first six months of 2022, compared to \$320 million in the previous year. The decrease in free cash flow was primarily driven by lower cash flows from operations.

Net cash flows used in investing activities amounted to an outflow of \$762 million in the first half of 2022, compared to an outflow of \$643 million in the prior year, primarily due to the acquisition of Ivantis. Cash outflows in the prior year period included the acquisition of the US commercialization rights to *Simbrinza*.

During the second quarter, the Company paid \$100 million in cash dividends. Also during the quarter, the Company completed a public offering of €500 million of senior notes, due 2028. Proceeds were primarily used to repay existing debt. Financial debts totaled \$4.0 billion, in line with prior year-end. The Company ended the second quarter with a net debt⁽⁴⁾ position of \$2.9 billion.

2022 outlook

The Company updated its full year 2022 outlook as per the table below. This outlook assumes that the 2022 global market grows at slightly above historical rates, that inflation stays at current levels throughout the remainder of the year, that the supply chain does not materially deteriorate and that the US dollar holds steady at mid-July 2022 foreign exchange rates.

	2022 outlook as of February	2022 outlook as of May	2022 outlook as of August	Comments vs. May outlook
Net sales (USD)	\$8.7 to \$8.9 billion	\$8.7 to \$8.9 billion	\$8.6 to \$8.8 billion	Decrease
CC net sales growth vs. 2021 ⁽²⁾	+7% to +9%	+9% to +11%	+9% to +11%	Maintain
Core operating margin ⁽¹⁾	18% to 19%	18% to 19%	18% to 19%	Maintain
Interest expense and Other financial income & expense	\$180 to \$190 million	\$200 to \$210 million	\$210 to \$220 million	Increase
Core effective tax rate ⁽⁵⁾	17% to 19%	17% to 19%	17% to 19%	Maintain
Core diluted EPS ⁽¹⁾	\$2.35 to \$2.45	\$2.35 to \$2.45	\$2.20 to \$2.30	Decrease
CC core diluted EPS growth vs. 2021 ⁽²⁾	+13% to +18%	+19% to +24%	+19% to +24%	Maintain

Webcast and Conference Call Instructions

The Company will host a conference call on August 10, 2022 at 2:00 p.m. Central European Time / 8:00 a.m. Eastern Time to discuss its second quarter 2022 earnings results. The webcast can be accessed online through Alcon's Investor Relations website, investor.alcon.com. Listeners should log on approximately 10 minutes in advance. A replay will be available online within 24 hours after the event.

The Company's interim financial report and supplemental presentation materials can be found online through Alcon's Investor Relations website at the beginning of the conference, or by clicking on the link:

<https://investor.alcon.com/news-and-events/events-and-presentations/event-details/2022/Alcons-Second-Quarter-2022-Earnings-Conference-Call/default.aspx>

Footnotes (pages 1-4)

- (1) Core results, such as core operating margin and core EPS, are non-IFRS measures. For additional information, including a reconciliation of such core results to the most directly comparable measures presented in accordance with IFRS, see the explanation of non-IFRS measures and reconciliation tables in the 'Non-IFRS measures as defined by the Company' and 'Financial tables' sections.
- (2) Constant currency (cc) is a non-IFRS measure. Growth in constant currency (cc) is calculated by translating the current year's foreign currency items into US dollars using average exchange rates from the historical comparative period and comparing them to the values from the historical comparative period in US dollars. An explanation of non-IFRS measures can be found in the 'Non-IFRS measures as defined by the Company' section.
- (3) Free cash flow is a non-IFRS measure. For additional information regarding free cash flow, see the explanation of non-IFRS measures and reconciliation tables in the 'Non-IFRS measures as defined by the Company' and 'Financial tables' sections.
- (4) Net (debt)/liquidity is a non-IFRS measure. For additional information regarding net (debt)/liquidity, see the explanation of non-IFRS measures and reconciliation tables in the 'Non-IFRS measures as defined by the Company' and 'Financial tables' sections.
- (5) Core effective tax rate, a non-IFRS measure, is the applicable annual tax rate on core taxable income. For additional information, see the explanation regarding reconciliation of forward-looking guidance in the 'Non-IFRS measures as defined by the Company' section.

Cautionary Note Regarding Forward-Looking Statements

This press release 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, market growth assumptions, and generally, our expectations concerning our future performance and the effects of the COVID-19 pandemic on our businesses.

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 U.S. Department of Justice; our success in completing and integrating strategic acquisitions; the impact of a disruption in our global supply chain or important facilities; the effect of the COVID-19 pandemic as well as other viral or disease outbreaks; global and regional economic, financial, legal, tax, political and social change; Russia’s war on Ukraine and the resulting global response; the commercial success of our products and our ability to maintain and strengthen our position in our markets; the success of our research and development efforts, including our ability to innovate to compete effectively; pricing pressure from changes in third party payor coverage and reimbursement methodologies; ongoing industry consolidation; our ability to properly educate and train healthcare providers on our products; the impact of unauthorized importation of our products from countries with lower prices to countries with higher prices; our reliance on outsourcing key business functions; changes in inventory levels or buying patterns of our customers; our ability to attract and retain qualified personnel; our ability to service our debt obligations; the need for additional financing through the issuance of debt or equity; our ability to protect our intellectual property; the effects of litigation, including product liability lawsuits and governmental investigations; our ability to comply with all laws to which we may be subject; effect of product recalls or voluntary market withdrawals; the implementation of our enterprise resource planning system; the accuracy of our accounting estimates and assumptions, including pension and other post-employment benefit plan obligations and the carrying value of intangible assets; 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; legislative, tax and regulatory reform; the ability of Alcon Pharmaceuticals Ltd. to comply with its investment tax incentive agreement with the Swiss State Secretariat for Economic Affairs in Switzerland and the Canton of Fribourg, Switzerland; our ability to manage environmental, social and governance matters to the satisfaction of our many stakeholders, some of which may have competing interests; 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 U.S. corporation; and the effect of maintaining or losing our foreign private issuer status under U.S. securities laws.

Additional factors are discussed in our filings with the United States Securities and Exchange Commission, including our Form 20-F. Should one or more of these uncertainties or risks materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated. Therefore, you should not rely on any of these forward-looking statements. Forward-looking statements in this press release speak only as of the date of its filing, and we assume no obligation to update forward-looking statements as a result of new information, future events or otherwise.

Intellectual Property

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

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, 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.

Free cash flow

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

Net (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.

Growth rate and margin calculations

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

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

Reconciliation of guidance for forward-looking non-IFRS measures

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

Financial tables

Net sales by region

(\$ millions unless indicated otherwise)	Three months ended June 30				Six months ended June 30			
	2022		2021		2022		2021	
United States	990	45 %	958	46 %	1,929	44 %	1,793	45 %
International	1,210	55 %	1,136	54 %	2,446	56 %	2,211	55 %
Net sales to third parties	2,200	100 %	2,094	100 %	4,375	100 %	4,004	100 %

Consolidated Income Statement (unaudited)

(\$ millions except earnings per share)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Net sales to third parties	2,200	2,094	4,375	4,004
Other revenues	17	16	31	36
Net sales and other revenues	2,217	2,110	4,406	4,040
Cost of net sales	(999)	(875)	(1,966)	(1,755)
Cost of other revenues	(14)	(15)	(28)	(34)
Gross profit	1,204	1,220	2,412	2,251
Selling, general & administration	(803)	(785)	(1,544)	(1,484)
Research & development	(181)	(178)	(347)	(344)
Other income	3	5	12	14
Other expense	(23)	(33)	(87)	(59)
Operating income	200	229	446	378
Interest expense	(31)	(30)	(60)	(61)
Other financial income & expense	(22)	(8)	(39)	(17)
Income before taxes	147	191	347	300
Taxes	1	(40)	(31)	(65)
Net income	148	151	316	235
Earnings per share (\$)				
Basic	0.30	0.31	0.64	0.48
Diluted	0.30	0.31	0.64	0.48
Weighted average number of shares outstanding (millions)				
Basic	491.7	490.0	491.3	489.9
Diluted	494.3	493.2	494.2	492.8

Balance sheet highlights

(\$ millions)	June 30, 2022	December 31, 2021
Cash and cash equivalents	1,030	1,575
Current financial debts	87	114
Non-current financial debts	3,883	3,966

Free cash flow

The following is a summary of free cash flow for the six months ended June 30, 2022 and 2021, together with a reconciliation to net cash flows from operating activities, the most directly comparable IFRS measure:

(\$ millions)	Six months ended June 30	
	2022	2021
Net cash flows from operating activities	470	542
Purchase of property, plant & equipment	(237)	(222)
Free cash flow	233	320

Net (debt)/liquidity

(\$ millions)	At June 30, 2022
Current financial debt	(87)
Non-current financial debt	(3,883)
Total financial debt	(3,970)

Less liquidity:

Cash and cash equivalents	1,030
Derivative financial instruments	7
Total liquidity	1,037
Net (debt)	(2,933)

Reconciliation of IFRS results to core results

Three months ended June 30, 2022

(\$ millions except earnings per share)	IFRS results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Transformation costs ⁽⁴⁾	Other items ⁽⁶⁾	Core results
Gross profit	1,204	141	59	—	(12)	1,392
Selling, general & administration	(803)	—	—	—	(7)	(810)
Research & development	(181)	5	2	—	—	(174)
Other income	3	—	—	—	1	4
Other expense	(23)	—	—	9	7	(7)
Operating income	200	146	61	9	(11)	405
Income before taxes	147	146	61	9	(11)	352
Taxes ⁽⁷⁾	1	(24)	(14)	(2)	—	(39)
Net income	148	122	47	7	(11)	313
Basic earnings per share (\$)	0.30					0.64
Diluted earnings per share (\$)	0.30					0.63
Basic - weighted average shares outstanding (millions) ⁽⁸⁾	491.7					491.7
Diluted - weighted average shares outstanding (millions) ⁽⁸⁾	494.3					494.3

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

Three months ended June 30, 2021

(\$ millions except earnings per share)	IFRS results	Amortization of certain intangible assets ⁽¹⁾	Separation costs ⁽³⁾	Transformation costs ⁽⁴⁾	Other items ⁽⁶⁾	Core results
Gross profit	1,220	128	—	—	—	1,348
Selling, general & administration	(785)	—	2	—	—	(783)
Research & development	(178)	—	—	—	3	(175)
Other income	5	—	—	—	—	5
Other expense	(33)	—	4	15	1	(13)
Operating income	229	128	6	15	4	382
Income before taxes	191	128	6	15	4	344
Taxes ⁽⁷⁾	(40)	(23)	(2)	(3)	2	(66)
Net income	151	105	4	12	6	278
Basic earnings per share (\$)	0.31					0.57
Diluted earnings per share (\$)	0.31					0.56
Basic - weighted average shares outstanding (millions) ⁽⁸⁾	490.0					490.0
Diluted - weighted average shares outstanding (millions) ⁽⁸⁾	493.2					493.2

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

Six months ended June 30, 2022

(\$ millions except earnings per share)	IFRS results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Transformation costs ⁽⁴⁾	Legal items ⁽⁵⁾	Other items ⁽⁶⁾	Core results
Gross profit	2,412	281	59	—	—	(3)	2,749
Selling, general & administration	(1,544)	—	—	—	—	—	(1,544)
Research & development	(347)	11	2	—	—	—	(334)
Other income	12	—	—	—	—	—	12
Other expense	(87)	—	—	24	20	13	(30)
Operating income	446	292	61	24	20	10	853
Income before taxes	347	292	61	24	20	10	754
Taxes ⁽⁷⁾	(31)	(49)	(14)	(4)	(5)	—	(103)
Net income	316	243	47	20	15	10	651
Basic earnings per share (\$)	0.64						1.33
Diluted earnings per share (\$)	0.64						1.32
Basic - weighted average shares outstanding (millions) ⁽⁸⁾	491.3						491.3
Diluted - weighted average shares outstanding (millions) ⁽⁸⁾	494.2						494.2

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

Six months ended June 30, 2021

(\$ millions except earnings per share)	IFRS results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Separation costs ⁽³⁾	Transformation costs ⁽⁴⁾	Other items ⁽⁶⁾	Core results
Gross profit	2,251	253	45	—	—	—	2,549
Selling, general & administration	(1,484)	—	—	9	—	—	(1,475)
Research & development	(344)	—	—	—	—	8	(336)
Other income	14	—	—	—	—	(1)	13
Other expense	(59)	—	—	7	26	1	(25)
Operating income	378	253	45	16	26	8	726
Income before taxes	300	253	45	16	26	8	648
Taxes ⁽⁷⁾	(65)	(46)	(10)	(4)	(5)	1	(129)
Net income	235	207	35	12	21	9	519
Basic earnings per share (\$)	0.48						1.06
Diluted earnings per share (\$)	0.48						1.05
Basic - weighted average shares outstanding (millions) ⁽⁸⁾	489.9						489.9
Diluted - weighted average shares outstanding (millions) ⁽⁸⁾	492.8						492.8

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

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 a legal settlement.
- (6) For the three months ended June 30, 2022, Gross profit includes fair value adjustments to contingent consideration liabilities and the reversal of charges related to the war on Ukraine, partially offset by the amortization of inventory fair value adjustments related to a recent acquisition. Selling, general & administration includes the reversal of charges related to the war on Ukraine. Other income includes fair value adjustments of financial assets. Other expense includes integration related expenses for a recent acquisition and fair value adjustments of financial assets.

For the three months ended June 30, 2021, Research & development includes the amortization of option rights. Other expense includes fair value adjustments of financial assets.

For the six months ended June 30, 2022, Gross profit includes fair value adjustments to contingent consideration liabilities, partially offset by the amortization of inventory fair value adjustments related to a recent acquisition. Other expense includes integration related expenses for a recent acquisition and fair value adjustments of financial assets.

For the six months ended June 30, 2021, Research & development includes the amortization of option rights. Other income and Other expense include fair value adjustments of financial assets.

- (7) For the three months ended June 30, 2022, tax associated with operating income core adjustments of \$205 million totaled \$40 million with an average tax rate of 19.5%.

For the three months ended June 30, 2021, total tax adjustments of \$26 million include tax associated with operating income core adjustments, partially offset by discrete tax items. Tax associated with operating income core adjustments of \$153 million totaled \$29 million with an average tax rate of 19.0%.

For the six months ended June 30, 2022, total tax adjustments of \$72 million include tax associated with operating income core adjustments, partially offset by discrete tax items. Tax associated with operating income core adjustments of \$407 million totaled \$75 million with an average tax rate of 18.4%.

For the six months ended June 30, 2021, total tax adjustments of \$64 million include tax associated with operating income core adjustments, partially offset by discrete tax items. Tax associated with operating income core adjustments of \$348 million totaled \$67 million with an average tax rate of 19.3%.

- (8) 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 4 to the Condensed Consolidated Interim Financial Statements.

About Alcon

Alcon helps people see brilliantly. As the global leader in eye care with a heritage spanning over 75 years, we offer the broadest portfolio of products to enhance sight and improve people's lives. Our Surgical and Vision Care products touch the lives of more than 260 million people in over 140 countries each year living with conditions like cataracts, glaucoma, retinal diseases and refractive errors. Our more than 24,000 associates are enhancing the quality of life through innovative products, partnerships with Eye Care Professionals and programs that advance access to quality eye care. Learn more at www.alcon.com.



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ALCON INC. INTERIM FINANCIAL REPORT

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OPERATING PERFORMANCE

Key figures

(\$ millions unless indicated otherwise)	Three months ended June 30				Six months ended June 30			
	2022	2021	Change %		2022	2021	Change %	
			\$	cc ⁽¹⁾			\$	cc ⁽¹⁾
Net sales to third parties	2,200	2,094	5	10	4,375	4,004	9	14
Gross profit	1,204	1,220	(1)	6	2,412	2,251	7	14
Operating income	200	229	(13)	12	446	378	18	45
<i>Operating margin (%)</i>	<i>9.1</i>	<i>10.9</i>			<i>10.2</i>	<i>9.4</i>		
Net income	148	151	(2)	35	316	235	34	74
Basic earnings per share (\$) ⁽²⁾	0.30	0.31	(3)	34	0.64	0.48	33	73
Diluted earnings per share (\$) ⁽²⁾	0.30	0.31	(3)	34	0.64	0.48	33	73
Core results⁽¹⁾								
Core operating income	405	382	6	21	853	726	17	32
<i>Core operating margin (%)</i>	<i>18.4</i>	<i>18.2</i>			<i>19.5</i>	<i>18.1</i>		
Core net income	313	278	13	31	651	519	25	42
Core basic earnings per share (\$) ⁽²⁾	0.64	0.57	12	30	1.33	1.06	25	42
Core diluted earnings per share (\$) ⁽²⁾	0.63	0.56	13	30	1.32	1.05	26	42

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

(2) Per share amounts may not add across quarters due to rounding.

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

Net sales by segment

(\$ millions unless indicated otherwise)	Three months ended June 30				Six months ended June 30			
	2022	2021	Change %		2022	2021	Change %	
			\$	cc ⁽¹⁾			\$	cc ⁽¹⁾
Surgical								
Implantables	444	387	15	21	899	731	23	29
Consumables	644	620	4	9	1,245	1,155	8	13
Equipment/other	208	199	5	10	411	397	4	8
Total Surgical	1,296	1,206	7	13	2,555	2,283	12	17
Vision Care								
Contact lenses	547	535	2	9	1,104	1,044	6	11
Ocular health	357	353	1	4	716	677	6	9
Total Vision Care	904	888	2	7	1,820	1,721	6	10
Net sales to third parties	2,200	2,094	5	10	4,375	4,004	9	14

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

Second quarter

Surgical

Surgical net sales were \$1.3 billion (+7%, +13% cc), with increases in all three categories driven by product innovation, improvements across international markets reflecting continuing recovery from the COVID-19 pandemic and sales from a recent acquisition. Implantables net sales increased (+15%, +21% cc), reflecting improving market conditions across international, ongoing adoption of advanced technology intraocular lenses, led by *Vivity* and sales of the *Hydrus* Microstent following our recent acquisition of Ivantis, Inc. Consumables net sales increased (+4%, +9% cc), primarily driven by higher procedure volumes due to improving market conditions across international. Equipment/other net sales increased (+5%, +10% cc), primarily driven by demand in international markets for cataract equipment, partially offset by declines in refractive equipment.

Vision Care

Vision Care net sales were \$0.9 billion (+2%, +7% cc), with increases in both categories driven by product innovation and improvements across international markets reflecting continuing recovery from the COVID-19 pandemic. Contact lenses net sales increased (+2%, +9% cc), led by growth in silicone hydrogel contact lenses, including the *Precision1* and *Dailies Total1* product families and *Total30*, partially offset by declines in other reusable and non-silicone hydrogel daily lenses in the United States. Ocular health net sales increased (+1%, +4% cc), led by *Systane* and sales of *Simbrinza* following our acquisition of the US commercialization rights in June 2021 and improvements across international markets, partially offset by supply chain challenges, primarily in contact lens care.

First half

Surgical

Surgical net sales were \$2.6 billion (+12%, +17% cc), with increases in all three categories driven by product innovation, market improvements across geographies reflecting continuing recovery from the COVID-19 pandemic, sales from a recent acquisition and some one-time benefits. Implantables net sales increased (+23%, +29% cc), reflecting improving market conditions, ongoing adoption of advanced technology intraocular lenses, led by *Vivity* and sales of the *Hydrus* Microstent following our recent acquisition of Ivantis, Inc. First quarter implantables net sales also included a one-time benefit in South Korea ahead of an insurance reimbursement change for presbyopia correcting intraocular lenses, which took effect on April 1, 2022. Consumables net sales increased (+8%, +13% cc), primarily driven by higher procedure

volumes due to improving market conditions. Equipment/other net sales increased (+4%, +8% cc), primarily driven by demand in international markets for cataract equipment, partially offset by declines in refractive equipment.

Vision Care

Vision Care net sales were \$1.8 billion (+6%, +10% cc), with growth in both categories driven by product innovation and market improvements across geographies reflecting continuing recovery from the COVID-19 pandemic. Contact lenses net sales increased (+6%, +11% cc), led by growth in silicone hydrogel contact lenses, including the *Precision1* and *Dailies Total1* product families and *Total30*, partially offset by declines in other reusable and non-silicone hydrogel daily lenses in the United States. Ocular health net sales increased (+6%, +9% cc), led by *Systane* and sales of *Simbrinza* following our acquisition of the US commercialization rights in June 2021 and improvements across international markets, partially offset by supply chain challenges, primarily in contact lens care.

Operating income

(\$ millions unless indicated otherwise)	Three months ended June 30				Six months ended June 30			
	2022	2021	Change %		2022	2021	Change %	
			\$	cc ⁽¹⁾			\$	cc ⁽¹⁾
Gross profit	1,204	1,220	(1)	6	2,412	2,251	7	14
Selling, general & administration	(803)	(785)	(2)	(6)	(1,544)	(1,484)	(4)	(7)
Research & development	(181)	(178)	(2)	(4)	(347)	(344)	(1)	(3)
Other income	3	5	(40)	(33)	12	14	(14)	(13)
Other expense	(23)	(33)	30	30	(87)	(59)	(47)	(47)
Operating income	200	229	(13)	12	446	378	18	45
<i>Operating margin (%)</i>	<i>9.1</i>	<i>10.9</i>			<i>10.2</i>	<i>9.4</i>		
Core results⁽¹⁾								
Core gross profit	1,392	1,348	3	10	2,749	2,549	8	14
Core operating income	405	382	6	21	853	726	17	32
<i>Core operating margin (%)</i>	<i>18.4</i>	<i>18.2</i>			<i>19.5</i>	<i>18.1</i>		

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

Second quarter

Operating income was \$200 million (-13%, +12% cc), compared to \$229 million in the prior year period. Operating margin increased 0.2 percentage points on a constant currencies basis driven by improved operating leverage from higher sales, partially offset by intangible asset impairments of \$61 million, increased inflationary impacts and higher amortization for intangible assets due to recent acquisitions. There was a negative 2.0 percentage point impact on operating margin from currency.

Adjustments to arrive at core operating income in the current year period were \$205 million, mainly due to \$146 million of amortization and \$61 million in impairments of intangible assets. Adjustments to arrive at core operating income in the prior year period were \$153 million, mainly due to \$128 million of amortization.

Core operating income was \$405 million (+6%, +21% cc), compared to \$382 million in the prior year period. Core operating margin increased 1.7 percentage points on a constant currencies basis, with improved operating leverage from higher sales, partially offset by increased inflationary impacts. There was a negative 1.5 percentage point impact on core operating margin from currency.

First half

Operating income was \$446 million (+18%, +45% cc), compared to \$378 million in the prior year period. Operating margin increased 2.6 percentage points on a constant currencies basis, with improved operating leverage from higher sales, including a one-time benefit in implantables sales in South Korea in the first quarter, partially offset by increased inflationary impacts, higher amortization for intangible assets due to recent acquisitions and a \$20 million legal settlement. There was a negative 1.8 percentage point impact on operating margin from currency.

Adjustments to arrive at core operating income in the current year were \$407 million, mainly due to \$292 million of amortization, \$61 million in impairments of intangible assets and a \$20 million legal settlement. Adjustments to arrive at core operating income in the prior year period were \$348 million, mainly due to \$253 million of amortization and a \$45 million impairment of an intangible asset.

Core operating income was \$853 million (+17%, +32% cc), compared to \$726 million in the prior year period. Core operating margin increased 2.8 percentage points on a constant currencies basis, with improved operating leverage from higher sales, including a one-time benefit in implantables sales in South Korea in the first quarter, partially offset by increased inflationary impacts. There was a negative 1.4 percentage point impact on core operating margin from currency.

Segment contribution

For additional information regarding segment contribution, please refer to Note 3 to the Condensed Consolidated Interim Financial Statements.

(\$ millions unless indicated otherwise)	Three months ended June 30				Six months ended June 30			
	2022	2021	Change %		2022	2021	Change %	
			\$	cc ⁽¹⁾			\$	cc ⁽¹⁾
Surgical segment contribution	348	327	6	18	720	602	20	31
<i>As % of net sales</i>	26.9	27.1			28.2	26.4		
Vision Care segment contribution	147	146	1	15	317	292	9	21
<i>As % of net sales</i>	16.3	16.4			17.4	17.0		
Not allocated to segments	(295)	(244)	(21)	(21)	(591)	(516)	(15)	(15)
Operating income	200	229	(13)	12	446	378	18	45
Core adjustments ⁽¹⁾	205	153			407	348		
Core operating income⁽¹⁾	405	382	6	21	853	726	17	32

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

Second quarter

Surgical

Surgical segment contribution was \$348 million (+6%, +18% cc), compared to \$327 million in the prior year period. Segment contribution margin increased 1.1 percentage points on a constant currencies basis, with improved operating leverage from higher sales and favorable product mix, partially offset by increased inflationary impacts. There was a negative 1.3 percentage point impact on segment contribution margin from currency.

Vision Care

Vision Care segment contribution was \$147 million (+1%, +15% cc), compared to \$146 million in the prior year period. Segment contribution margin increased 1.2 percentage points on a constant currencies basis, with improved operating leverage from higher sales, partially offset by unfavorable product mix from launches of new silicone hydrogel daily contact lenses and increased inflationary impacts. There was a negative 1.3 percentage point impact on segment contribution margin from currency.

Not allocated to segments

Operating loss not allocated to segments totaled \$295 million (-21%, -21% cc), compared to \$244 million in the prior year period. The increase in amounts not allocated was primarily driven by intangible asset impairments and higher amortization for intangible assets due to recent acquisitions.

First half

Surgical

Surgical segment contribution was \$720 million (+20%, +31% cc), compared to \$602 million in the prior year period. Segment contribution margin increased 3.1 percentage points on a constant currencies basis, with improved operating leverage from higher sales, including one-time benefit in implantable sales in South Korea in the first quarter and favorable product mix, partially offset by increased inflationary impacts. There was a negative 1.3 percentage point impact on segment contribution margin from currency.

Vision Care

Vision Care segment contribution was \$317 million (+9%, +21% cc), compared to \$292 million in the prior year period. Segment contribution margin increased 1.7 percentage points on a constant currencies basis, with improved operating leverage from higher sales, partially offset by unfavorable product mix from launches of new silicone hydrogel daily contact lenses and increased inflationary impacts. There was a negative 1.3 percentage point impact on segment contribution margin from currency.

Not allocated to segments

Operating loss not allocated to segments totaled \$591 million (-15%, -15% cc), compared to \$516 million in the prior year period. The increase in amounts not allocated was primarily driven by higher intangible asset impairments, higher amortization for intangible assets due to recent acquisitions and a \$20 million legal settlement.

Non-operating income & expense

(\$ millions unless indicated otherwise)	Three months ended June 30				Six months ended June 30			
	2022	2021	Change %		2022	2021	Change %	
			\$	cc ⁽¹⁾			\$	cc ⁽¹⁾
Operating income	200	229	(13)	12	446	378	18	45
Interest expense	(31)	(30)	(3)	(3)	(60)	(61)	2	2
Other financial income & expense	(22)	(8)	(175)	(167)	(39)	(17)	(129)	(132)
Income before taxes	147	191	(23)	7	347	300	16	50
Taxes	1	(40)	nm	nm	(31)	(65)	52	39
Net income	148	151	(2)	35	316	235	34	74
Basic earnings per share (\$)	0.30	0.31	(3)	34	0.64	0.48	33	73
Diluted earnings per share (\$)	0.30	0.31	(3)	34	0.64	0.48	33	73
Core results⁽¹⁾								
Core taxes	(39)	(66)	41	31	(103)	(129)	20	9
Core net income	313	278	13	31	651	519	25	42
Core basic earnings per share (\$)	0.64	0.57	12	30	1.33	1.06	25	42
Core diluted earnings per share (\$)	0.63	0.56	13	30	1.32	1.05	26	42

nm = not meaningful

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

Second quarter

Interest expense

Interest expense was \$31 million, compared to \$30 million in the prior year period. The current year period had less favorable interest rates.

Other financial income & expense

Other financial income & expense was a net expense of \$22 million, compared to \$8 million in the prior year period. The increase was primarily driven by foreign currency exchange losses and losses from hyperinflationary accounting for Turkey.

Taxes

Tax benefit was \$1 million, compared to a \$40 million tax expense in the prior year period. The average tax rate was a 0.7% benefit compared to a 20.9% expense in the prior year period, primarily due to a favorable mix of pre-tax income/(loss) across geographical tax jurisdictions, a tax benefit in the current year on a build of inventory in certain international markets with a favorable product mix and a benefit associated with an agreement for deductibility of a statutory expense in Switzerland related to fiscal year 2022. It is uncertain whether Alcon will obtain a similar benefit for the deductibility of this statutory expense in Switzerland in future years.

Adjustments to arrive at core tax expense were \$40 million compared to \$26 million in the prior year period. The current year period includes tax associated with operating income core adjustments. The prior year period related to the tax associated with operating income core adjustments, partially offset by discrete tax items.

Core tax expense was \$39 million, compared to \$66 million in the prior year period. The average core tax rate was 11.1% compared to 19.2% in the prior year period, primarily due to a favorable mix of pre-tax income/(loss) across geographical tax jurisdictions, a tax benefit in the current year on a build of inventory in certain international markets with a favorable product mix and a benefit associated with an agreement for deductibility of a statutory expense in Switzerland related to fiscal year 2022.

Net income and earnings per share

Net income was \$148 million, compared to \$151 million in the prior year period. Net income increased in constant currencies due to higher operating income and the tax benefit in the current year period compared with tax expense in the prior year period. The associated basic and diluted earnings per share were \$0.30, compared to \$0.31 in the prior year period.

Core net income was \$313 million, compared to \$278 million in the prior year period. Core net income increased due to higher core operating income and lower core tax expense. The associated core basic and diluted earnings per share were \$0.64 and \$0.63, respectively, compared to core basic and diluted earnings per share of \$0.57 and \$0.56, respectively, in the prior year period.

First half

Interest expense

Interest expense was \$60 million, compared to \$61 million in the prior year period. The current year period had lower interest expense from discounting of long-term contingent consideration liabilities, partially offset by less favorable interest rates.

Other financial income & expense

Other financial income & expense was a net expense of \$39 million, compared with \$17 million in the prior year period. The increase was primarily driven by foreign currency exchange losses, losses from hyperinflationary accounting for Turkey and hedging costs.

Taxes

Tax expense was \$31 million, compared to \$65 million in the prior year period. The average tax rate was 8.9% compared to 21.7% in the prior year period, primarily due to a favorable mix of pre-tax income/(loss) across geographical tax jurisdictions, a tax benefit in the current year on a build of inventory in certain international markets with a favorable product mix and a benefit associated with an agreement for deductibility of a statutory expense in Switzerland related to fiscal year 2022. It is uncertain whether Alcon will obtain a similar benefit for the deductibility of this statutory expense in Switzerland in future years.

Adjustments to arrive at core tax expense in the current year period were \$72 million, compared to \$64 million in the prior year period with the impact in both periods primarily driven by tax associated with operating income core adjustments, partially offset by discrete tax items.

Core tax expense was \$103 million, compared to \$129 million in the prior year period. The average core tax rate was 13.7% compared to 19.9% in the prior year period, primarily due to a favorable mix of pre-tax income/(loss) across geographical tax jurisdictions, a tax benefit in the current year on a build of inventory in certain international markets with a favorable product mix, a benefit associated with an agreement for the deductibility of a statutory expense in Switzerland related to fiscal year 2022 and discrete tax items favorably impacting the current year.

Net income and earnings per share

Net income was \$316 million, compared to \$235 million in the prior year period. The change was mainly attributable to higher operating income and lower tax expense. The associated basic and diluted earnings per share were \$0.64, compared to \$0.48 in the prior year period.

Core net income was \$651 million, compared to \$519 million in the prior year period. Core net income increased due to higher core operating income and lower core tax expense. The associated core basic and diluted earnings per share were \$1.33 and \$1.32, respectively, compared to \$1.06 and \$1.05, respectively, in the prior year period.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

Net cash flows from operating activities amounted to \$470 million in the first six months of 2022, compared to \$542 million in the prior year period. The current year includes increased cash outflows from changes in net working capital, increased taxes paid due to the timing of payments and a \$20 million legal settlement payment, partially offset by higher sales. Both periods were impacted by semi-annual interest payments.

Changes in net working capital in the current year were mainly driven by the net change in other operating liabilities and increases in trade receivables and inventories. The net change in other operating liabilities was primarily driven by the timing of annual associate short-term incentive payments, which generally occur in the first quarter and were higher than in the prior year. 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.

Changes in net working capital in the prior year period were mainly driven by increases in inventories, trade receivables and the net change in other operating liabilities. The increase in inventories was primarily associated with new product launches as well as to meet upcoming demand. The increase in trade receivables was primarily driven by new receivables from higher sales outpacing collections. The net change in other operating liabilities included payments for Value Added Tax ("VAT"), property taxes and other payables. Refer to Note 8 of the Condensed Consolidated Interim 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 amounted to \$762 million in the first six months of 2022, compared to \$643 million in the prior year period. Cash outflows in the current year period are primarily due to the acquisition of Ivantis, Inc. and capital expenditures. Cash outflows in the prior year period were primarily due to the acquisition of exclusive US commercialization rights to *Simbrinza* and capital expenditures. Refer to Note 2 of the Condensed Consolidated Interim Financial Statements for additional information on the acquisitions of Ivantis, Inc. and *Simbrinza* US commercialization rights.

Net cash flows used in financing activities amounted to \$277 million in the first six months of 2022, compared to \$76 million in the prior year period. Cash outflows in the current year period primarily include dividends paid to shareholders of Alcon Inc., payment of certain local debt facilities, taxes paid upon net settlements of equity-based compensation, payments made upon settlement of derivative contracts and lease payments. Cash flows in the current period also include the issuance of senior notes offset by repayment of the Facility C term loan and partial repayment of the Facility B term loan. Refer to Note 6 of the Condensed Consolidated Interim Financial Statements for additional details regarding the issuance of senior notes. Cash outflows in the prior year period primarily included dividends paid to shareholders of Alcon Inc., lease payments and withholding taxes paid upon net settlements of equity-based compensation, partially offset by net proceeds from refinancing of local debt facilities in Japan.

Free cash flow (non-IFRS measure)

Free cash flow amounted to an inflow of \$233 million in the first six months of 2022, compared to an inflow of \$320 million in the prior year period, driven primarily by decreased cash flows from operating activities.

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

Balance sheet

Assets

Total non-current assets were \$22.7 billion as of June 30, 2022, an increase of \$97 million when compared to \$22.6 billion as of December 31, 2021. Intangible assets other than goodwill increased \$46 million primarily due to the acquisition of Ivantis, Inc., partially offset by recurring amortization and asset impairments. Property, plant and equipment increased \$31 million primarily due to capital expenditures, partially offset by depreciation and foreign currency translation effects. Financial assets increased \$29 million primarily driven by purchases of long-term financial investments measured at fair value through other comprehensive income.

Total current assets were \$5.0 billion as of June 30, 2022, a decrease of \$369 million when compared to \$5.4 billion as of December 31, 2021. Cash and cash equivalents decreased \$545 million due to the net impact of operating, investing and

financing activities as described in the preceding section. Trade receivables increased \$107 million primarily driven by higher sales outpacing collections, partially offset by foreign currency translation effects. Inventories increased \$89 million primarily driven by new product launches, *Hydrus Microstent* following our acquisition of Ivantis, Inc. and higher raw materials and work in process at manufacturing sites to mitigate uncertainty caused by longer supply lead times.

Liabilities

Total non-current liabilities were \$5.9 billion as of June 30, 2022, a decrease of \$405 million when compared to \$6.3 billion as of December 31, 2021. Provisions and other non-current liabilities decreased \$197 million primarily related to reductions in pensions and post-employment benefit obligations due to actuarial gains recognized for increases in discount rates. Deferred tax liabilities decreased \$130 million primarily due to acquired deferred tax assets for Ivantis, Inc. net operating losses, which will be used to offset future tax liabilities in the United States, recurring amortization of intangible assets and asset impairments. Financial debts decreased \$83 million primarily due to the movement of balances to current financial debts and foreign currency translations effects. Financial debts also included the issuance of senior notes offset by repayment of the Facility C term loan and partial repayment of the Facility B term loan.

Total current liabilities were \$2.3 billion as of June 30, 2022, a decrease of \$152 million when compared to \$2.5 billion as of December 31, 2021. Provisions and other current liabilities decreased \$185 million primarily related to the timing of annual associate short-term incentive payments, a reduction in accruals for revenue deductions and taxes other than incomes taxes. Current financial debts decreased \$27 million primarily due to the payment of local debt facilities in Japan, partially offset by movement of balances from non-current financial debts. Current income tax liabilities increased \$34 million primarily driven by increased profitability, partially offset by tax payments. Trade payables increased \$27 million primarily due to the timing of payments, partially offset by foreign currency translation effects.

Equity

Equity was \$19.5 billion as of June 30, 2022, an increase of \$285 million when compared to \$19.3 billion as of December 31, 2021.

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

Net debt of \$2.9 billion as of June 30, 2022 increased \$434 million compared to \$2.5 billion as of December 31, 2021. Alcon's liquidity amounted to \$1.0 billion as of June 30, 2022, compared to \$1.6 billion as of December 31, 2021. Total financial debt amounted to \$4.0 billion as of June 30, 2022, compared to \$4.1 billion as of December 31, 2021. The average maturity of financial debts outstanding as of June 30, 2022 is 8.3 years.

The \$1 billion revolving credit facility remained undrawn as of June 30, 2022 and August 9, 2022. For additional information regarding net (debt)/liquidity, which is a non-IFRS measure, see the explanation of non-IFRS measures and reconciliation tables in the 'Supplementary Information' section.

Additional Considerations

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 Part I, Item 3D, "Risk Factors" - *Changing economic and financial environments in many countries and increasing global political and social instability may adversely impact our business* in the Company's 2021 Form 20-F ("Form 20-F").

For the year ended December 31, 2021, net sales in Russia and Ukraine amounted to less than 2% of consolidated net sales. Total assets in Russia and Ukraine amounted to \$114 million as of June 30, 2022. During the three months ended June 30, 2022 operations previously impacted by the war on Ukraine resumed 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. 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

We continue to manufacture and supply our products and are actively working to mitigate any potential supply chain disruptions. We are experiencing and expect to continue to experience 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 the supply chain challenges to continue through 2022.

Estimation uncertainty

The preparation of financial statements requires management to make certain estimates and assumptions, either at the balance sheet date or during the period that affects the reported amounts of assets and liabilities as well as revenues and expenses. In particular, the Condensed Consolidated Interim Financial Statements for the period ended June 30, 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, slower recovery 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.

Foreign currencies

We use the US Dollar as our reporting currency and are therefore also exposed to foreign currency exchange movements and costs to enter hedging agreements, primarily in Euros, Japanese Yen, Chinese Renminbi, Swiss Francs, Russian Rubles and emerging market currencies. The foreign currency exposure on the balance sheet is hedged, 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.

The economy in Turkey was designated as hyperinflationary for accounting purposes in the second quarter of 2022, including retroactive implementation from January 1, 2022 of hyperinflationary accounting. The accounting policy for hyperinflationary economies is described in Note 3 to the Consolidated Financial Statements in the Form 20-F.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF ALCON INC.

Consolidated Income Statement (unaudited)

(\$ millions except earnings per share)	Note	Three months ended June 30		Six months ended June 30	
		2022	2021	2022	2021
Net sales to third parties	3	2,200	2,094	4,375	4,004
Other revenues	3	17	16	31	36
Net sales and other revenues		2,217	2,110	4,406	4,040
Cost of net sales		(999)	(875)	(1,966)	(1,755)
Cost of other revenues		(14)	(15)	(28)	(34)
Gross profit		1,204	1,220	2,412	2,251
Selling, general & administration		(803)	(785)	(1,544)	(1,484)
Research & development		(181)	(178)	(347)	(344)
Other income		3	5	12	14
Other expense		(23)	(33)	(87)	(59)
Operating income		200	229	446	378
Interest expense		(31)	(30)	(60)	(61)
Other financial income & expense		(22)	(8)	(39)	(17)
Income before taxes		147	191	347	300
Taxes		1	(40)	(31)	(65)
Net income		148	151	316	235
Earnings per share (\$)					
Basic	4	0.30	0.31	0.64	0.48
Diluted	4	0.30	0.31	0.64	0.48
Weighted average number of shares outstanding (millions)					
Basic	4	491.7	490.0	491.3	489.9
Diluted	4	494.3	493.2	494.2	492.8

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

Consolidated Statement of Comprehensive Income (unaudited)

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Net income	148	151	316	235
<i>Other comprehensive income to be eventually recycled into the Consolidated Income Statement:</i>				
Currency translation effects, net of taxes ⁽¹⁾	(67)	20	(65)	(18)
Total of items to eventually recycle	(67)	20	(65)	(18)
<i>Other comprehensive income never to be recycled into the Consolidated Income Statement:</i>				
Actuarial gains/(losses) from defined benefit plans, net of taxes ⁽²⁾	49	(7)	120	15
Fair value adjustments on equity securities, net of taxes ⁽³⁾	—	—	1	—
Total of items never to be recycled	49	(7)	121	15
Total comprehensive income	130	164	372	232

(1) Amounts are net of tax expense of \$1 million for the three and six months ended June 30, 2022.

(2) Amounts are net of tax expense of \$13 million and tax benefit of \$2 million for the three months ended June 30, 2022 and 2021, respectively. Amounts are net of tax expense of \$29 million and \$7 million for the six months ended June 30, 2022 and 2021, respectively.

(3) Amounts are net of tax expense of \$0.1 million and \$0.3 million for the three and six months ended June 30, 2022, respectively.

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

Consolidated Balance Sheet (unaudited)

(\$ millions)	Note	June 30, 2022	December 31, 2021
Assets			
Non-current assets			
Property, plant & equipment		3,742	3,711
Right-of-use assets		372	372
Goodwill		8,905	8,905
Intangible assets other than goodwill	5	8,811	8,765
Deferred tax assets		409	409
Financial assets	7	246	217
Other non-current assets		225	234
Total non-current assets		22,710	22,613
Current assets			
Inventories		1,988	1,899
Trade receivables		1,603	1,496
Income tax receivables		12	9
Cash and cash equivalents		1,030	1,575
Other current assets		384	407
Total current assets		5,017	5,386
Total assets		27,727	27,999
Equity and liabilities			
Equity			
Share capital		20	20
Reserves		19,521	19,236
Total equity		19,541	19,256
Liabilities			
Non-current liabilities			
Financial debts	6	3,883	3,966
Lease liabilities		344	339
Deferred tax liabilities		896	1,026
Provisions & other non-current liabilities		743	940
Total non-current liabilities		5,866	6,271
Current liabilities			
Trade payables		930	903
Financial debts	6	87	114
Lease liabilities		66	67
Current income tax liabilities		221	187
Provisions & other current liabilities		1,016	1,201
Total current liabilities		2,320	2,472
Total liabilities		8,186	8,743
Total equity and liabilities		27,727	27,999

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

Consolidated Statement of Changes in Equity (unaudited)

Six months ended June 30, 2022

(\$ millions)	Share capital	Other reserves	Fair value adjustments on equity securities	Actuarial gains/(losses) from defined benefit plans	Cumulative currency translation effects	Total value adjustments ⁽¹⁾	Equity
Balance as of January 1, 2022	20	19,356	(32)	(74)	(14)	(120)	19,256
Net income		316				—	316
Other comprehensive income			1	120	(65)	56	56
Total comprehensive income	—	316	1	120	(65)	56	372
Dividends		(102)				—	(102)
Equity-based compensation		4				—	4
Other movements ⁽²⁾		11				—	11
Total other movements	—	(87)	—	—	—	—	(87)
Balance as of June 30, 2022	20	19,585	(31)	46	(79)	(64)	19,541

Six months ended June 30, 2021

(\$ millions)	Share capital	Other reserves	Fair value adjustments on equity securities	Actuarial gains/(losses) from defined benefit plans	Cumulative currency translation effects	Total value adjustments ⁽¹⁾	Equity
Balance as of January 1, 2021	20	18,899	(32)	(109)	44	(97)	18,822
Net income		235				—	235
Other comprehensive income/(loss)			—	15	(18)	(3)	(3)
Total comprehensive income	—	235	—	15	(18)	(3)	232
Dividends		(53)				—	(53)
Equity-based compensation		47				—	47
Other movements ⁽²⁾		4		12		12	16
Total other movements	—	(2)	—	12	—	12	10
Balance as of June 30, 2021	20	19,132	(32)	(82)	26	(88)	19,064

(1) "Total value adjustments" are presented net of the corresponding tax effects.

(2) Activity includes hyperinflationary accounting. The prior year period 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 accompanying Notes form an integral part of the Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Cash Flows (unaudited)

(\$ millions)	Note	Six months ended June 30	
		2022	2021
Net income		316	235
<i>Adjustments to reconcile net income to net cash flows from operating activities</i>			
Depreciation, amortization, impairments and fair value adjustments	8.1	588	530
Equity-based compensation expense		70	68
Non-cash change in current and non-current provisions and other non-current liabilities		40	25
Losses on disposal and other adjustments on property, plant & equipment and other non-current assets, net		2	8
Interest expense		60	61
Other financial income & expense		39	17
Taxes		31	65
Interest received		2	2
Interest paid		(53)	(57)
Other financial payments		(4)	(3)
Taxes paid		(120)	(96)
Net cash flows before working capital changes and net payments out of provisions and other non-current liabilities		971	855
Net payments out of provisions and other cash movements in non-current liabilities		(70)	(37)
Change in net current assets and other operating cash flow items	8.2	(431)	(276)
Net cash flows from operating activities		470	542
Purchase of property, plant & equipment		(237)	(222)
Purchase of intangible assets		(23)	(411)
Purchase of financial assets		(21)	(10)
Proceeds from financial assets		2	—
Acquisition of assets, net of cash acquired		(483)	—
Net cash flows used in investing activities		(762)	(643)
Dividends paid to shareholders of Alcon Inc.	4	(100)	(54)
Proceeds from non-current financial debts, net of issuance costs		531	51
Repayment of non-current financial debts		(536)	—
Change in current financial debts		(52)	(24)
Lease payments		(34)	(37)
Other financing cash flows		(86)	(12)
Net cash flows used in financing activities		(277)	(76)
Effect of exchange rate changes on cash and cash equivalents		24	(14)
Net change in cash and cash equivalents		(545)	(191)
Cash and cash equivalents at January 1		1,575	1,557
Cash and cash equivalents at June 30		1,030	1,366

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

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

1. Selected accounting policies

Basis of preparation

These Condensed Consolidated Interim Financial Statements for Alcon Inc. ("the Company") and the subsidiaries it controls (collectively, "Alcon") have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and with the accounting policies as described in Note 3 to the December 31, 2021 Consolidated Financial Statements in the Company's 2021 Form 20-F ("Form 20-F").

These Condensed Consolidated Interim Financial Statements do not include all of the information required for a complete set of IFRS financial statements. The financial information consolidates the Company and the subsidiaries it controls, and includes selected notes to explain events and transactions that are significant to an understanding of the changes in Alcon's financial position and performance since the prior annual Consolidated Financial Statements. Therefore, the Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB.

The accompanying Condensed Consolidated Interim Financial Statements present our historical financial position, results of operations, comprehensive income and cash flows in accordance with IFRS. Alcon's principal accounting policies are set out in Note 3 to the Consolidated Financial Statements in the Form 20-F.

Use of estimates and assumptions

The preparation of financial statements requires management to make subjective and complex estimates and assumptions, either at the balance sheet date or during the period that affect the reported amounts of assets and liabilities as well as revenues and expenses. We have analyzed the impact of the war on Ukraine, economic sanctions and export controls on Russia and the COVID-19 pandemic on our financial statements for the three and six months ended June 30, 2022 and 2021. We have 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 our assessment performed, the resulting provisions recorded were not material to our Condensed Consolidated Interim Financial Statements for the three or six months ended June 30, 2022 or 2021. 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 hyperinflationary economies in which Alcon operates are Argentina, Turkey and Venezuela. Argentina and Venezuela were hyperinflationary for all periods presented. Turkey became hyperinflationary effective April 1, 2022, requiring retroactive implementation from January 1, 2022 of hyperinflationary accounting. The accounting policy for hyperinflationary economies is described in Note 3 to the Consolidated Financial Statements in the Form 20-F.

Impairment of goodwill, Alcon brand name and definite lived intangible assets

As discussed in Note 3 to the Consolidated Financial Statements in the Form 20-F, Goodwill, the Alcon brand name and acquired In-process research & development projects are reviewed for impairment at least annually and these, as well as all other investments in intangible assets, are reviewed for impairment whenever events or changes in circumstance indicate that the asset's balance sheet or reportable segment carrying amount may not be recoverable. Goodwill and other intangible assets represent a significant amount of total assets on the Consolidated Balance Sheet. Impairment testing may lead to potentially significant impairment charges in the future, which could have a materially adverse impact on Alcon's results of operations and financial condition.

2. Significant transactions

Significant transactions in 2022

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 ("Series 2028 Notes"). The funds borrowed through the issuance of the Series 2028 Notes 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 6 to these Condensed Consolidated Interim 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 11 to these Condensed Consolidated Interim 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.

3. Segmentation of key figures

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

The businesses of Alcon are divided operationally on a worldwide basis into two identified reportable segments, Surgical and Vision Care. 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 1 of these Condensed Consolidated Interim Financial Statements are used in the reporting of segment results.

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

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

Segment contribution excludes amortization and impairment charges for acquired product rights or other intangibles, general and administrative expenses for corporate activities, separation costs, transformation costs, fair value adjustments to contingent consideration liabilities, past service costs primarily for post-employment benefit plan amendments, and certain other income and expense items.

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 fair value through profit and loss ("FVPL"), net gains and losses on fund investments and equity securities valued at FVPL, restructuring costs, legal provisions and settlements, integration related expenses and other income and expense items not attributed to a specific segment.

Net sales and other revenues by segment

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Surgical				
Implantables	444	387	899	731
Consumables	644	620	1,245	1,155
Equipment/other	208	199	411	397
Total Surgical net sales to third parties	1,296	1,206	2,555	2,283
Vision Care				
Contact lenses	547	535	1,104	1,044
Ocular health	357	353	716	677
Total Vision Care net sales to third parties	904	888	1,820	1,721
Total net sales to third parties	2,200	2,094	4,375	4,004
Vision Care other revenues	17	16	31	36
Total net sales and other revenues	2,217	2,110	4,406	4,040

Segment contribution and reconciliation to income before taxes

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Segment contribution				
Surgical	348	327	720	602
Vision Care	147	146	317	292
Total segment contribution	495	473	1,037	894
Not allocated to segments:				
Amortization of intangible assets	(162)	(143)	(324)	(283)
Impairment charges on intangible assets	(61)	—	(61)	(45)
General & administration (corporate)	(70)	(69)	(132)	(126)
Separation costs	—	(6)	—	(16)
Transformation costs	(9)	(15)	(24)	(26)
Fair value adjustments to contingent consideration liabilities	7	—	7	—
Past service costs for post-employment benefit plan amendments	—	—	—	2
Other	—	(11)	(57)	(22)
Operating income	200	229	446	378
Interest expense	(31)	(30)	(60)	(61)
Other financial income & expense	(22)	(8)	(39)	(17)
Income before taxes	147	191	347	300

Net sales by region⁽¹⁾

(\$ millions unless indicated otherwise)	Three months ended June 30				Six months ended June 30			
	2022		2021		2022		2021	
United States	990	45 %	958	46 %	1,929	44 %	1,793	45 %
International	1,210	55 %	1,136	54 %	2,446	56 %	2,211	55 %
Net sales to third parties	2,200	100 %	2,094	100 %	4,375	100 %	4,004	100 %

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

4. Dividends and earnings per share

Dividends

On February 15, 2022, the Alcon Board of Directors ("Board") 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 Board 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.

Earnings per share

As of June 30, 2022, there were 491.6 million outstanding common shares, after the delivery of 1.5 million net shares vesting under the equity incentive programs during the six months ended June 30, 2022.

Basic earnings per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period. For the three and six months ended June 30, 2022, the weighted average number of shares outstanding was 491.7 million and 491.3 million, respectively. For the three and six months ended June 30, 2021, the weighted average number of shares outstanding was 490.0 million and 489.9 million, respectively.

The only potentially dilutive securities are the outstanding unvested equity-based awards, as described in Note 9 to these Condensed Consolidated Interim Financial Statements. Except when the effect would be anti-dilutive, the calculation of diluted earnings per common share includes the weighted average net impact of unvested equity-based awards. For the three and six months ended June 30, 2022, the weighted average diluted number of shares outstanding was 494.3 million and 494.2 million, respectively, which includes the potential conversion of 2.6 million and 2.9 million unvested equity-based awards, respectively. For the three and six months ended June 30, 2021, the weighted average diluted number of shares outstanding was 493.2 million and 492.8 million, respectively, which includes the potential conversion of 3.2 million and 2.9 million unvested equity-based awards, respectively.

5. Intangible assets other than goodwill

Intangible asset impairment charges

Impairments during the three and six months ended June 30, 2022 amounted to \$61 million. An impairment charge of \$59 million was recognized in Cost of net sales in the Condensed Consolidated Income Statement for a currently marketed product cash generating unit ("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 estimated using the value in use ("VIU") method at the time of impairment. The recoverable value 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 was recognized in Research & development in the Condensed Consolidated Income Statement to fully impair an acquired research & development intangible asset in the Vision Care reportable segment which will no longer be used.

Impairments during the six months ended June 30, 2021 amounted to \$45 million due to an impairment recognized in the first quarter in Cost of net sales in the Condensed Consolidated Income Statement 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 estimated using the fair value less cost of disposal ("FVLCOD") method at the time of impairment. The recoverable value 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. There were no impairment charges during the three months ended June 30, 2021.

The estimates used in calculating net present value 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 CGU was classified as Level 3 in the fair value hierarchy.

6. Non-current and current financial debts

The below table summarizes non-current and current Financial debts outstanding as of June 30, 2022 and December 31, 2021.

(\$ millions)	June 30, 2022	December 31, 2021
Non-current financial debts		
Facility B	637	796
Facility C	—	395
Local facilities (Japan)	—	47
Series 2026 notes	497	496
Series 2028 notes	517	—
Series 2029 notes	993	993
Series 2030 notes	745	745
Series 2049 notes	494	494
Revolving facility	—	—
Total non-current financial debts	3,883	3,966
Current financial debts		
Local facilities:		
Japan	70	84
All others	9	17
Other short-term financial debts	7	6
Derivatives	1	7
Total current financial debts	87	114
Total financial debts	3,970	4,080

Interest expense recognized for Financial debts, excluding lease liabilities, was \$25 million and \$49 million for the three and six months ended June 30, 2022, respectively, and \$24 million and \$48 million for the three and six months ended June 30, 2021, respectively.

Series 2028 notes issuance

On May 31, 2022, AFBV issued EUR denominated senior notes due in 2028, 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 Series 2026, Series 2029, Series 2030 and Series 2049 notes. The total principal of the Series 2028 Notes is \$522 million (EUR500 million) as of June 30, 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. The remaining principal balance of the Facility B term loan is \$640 million as of June 30, 2022. Alcon recognized losses on extinguishment of \$1 million associated with the write-off of unamortized deferred financing costs in Other financial income & expense for three and six months ended June 30, 2022.

Revolving facility

The Revolving facility remained undrawn as of June 30, 2022.

Local bilateral facilities

During the six months ended June 30, 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 with an outstanding amount of \$62 million matured in February 2022 and was renewed for another one year term.

7. Financial instruments

Fair value by hierarchy

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

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

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

Level 1 financial assets include money market funds, 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 Condensed 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 fair value through other comprehensive income ("FVOCI"), fund investments, options to acquire private companies, and contingent consideration liabilities measured at fair value through profit and loss ("FVPL").

The below tables summarize financial assets and liabilities measured at fair value on a recurring basis or at amortized cost or cost as of June 30, 2022 and December 31, 2021.

(\$ millions)	June 30, 2022				Total
	Level 1	Level 2	Level 3	Valued at amortized cost or cost ⁽³⁾	
Non-current financial assets					
Long-term financial investments measured at FVOCI	—	—	65	—	65
Long-term financial investments measured at FVPL	—	—	5	—	5
Long-term receivables from customers	—	—	—	117	117
Deferred compensation assets ⁽¹⁾	135	—	—	—	135
Non-current minimum lease payments from finance lease agreements	—	—	—	38	38
Long-term loans, advances and security deposits	—	—	—	21	21
Non-current financial assets	135	—	70	176	381
Current financial assets					
Money market funds	241	—	—	—	241
Current portion of long-term receivables from customers ⁽²⁾	—	—	—	102	102
Current portion of minimum lease payments from finance lease agreements ⁽²⁾	—	—	—	26	26
Other receivables, security deposits and current assets ⁽²⁾	—	—	—	70	70
VAT receivables ⁽²⁾	—	—	—	75	75
Derivative financial instruments ⁽²⁾	—	7	—	—	7
Current financial assets	241	7	—	273	521
Financial assets at fair value and amortized cost or cost	376	7	70	449	902
Financial liabilities					
Contingent consideration liabilities	—	—	(109)	—	(109)
Non-current financial debt	—	—	—	(3,883)	(3,883)
Current financial debt	—	—	—	(86)	(86)
Derivative financial instruments	—	(1)	—	—	(1)
Financial liabilities at fair value and amortized cost	—	(1)	(109)	(3,969)	(4,079)

(1) Recorded in Other non-current assets.

(2) Recorded in Other current assets.

(3) The carrying amount is a reasonable approximation of fair value, with the exception of the Series 2026, 2028, 2029, 2030 and 2049 notes recorded in Non-current financial debt with a fair value of \$2,912 million and a carrying value of \$3,246 million as of June 30, 2022. The fair value of notes was determined using Level 2 inputs. The notes were valued using the quoted market price for such notes, which have low trading volumes.

(\$ millions)	December 31, 2021				Total
	Level 1	Level 2	Level 3	Valued at amortized cost or cost ⁽³⁾	
Non-current financial assets					
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 ⁽¹⁾	155	—	—	—	155
Non-current minimum lease payments from finance lease agreements	—	—	—	35	35
Long-term loans, advances and security deposits	—	—	—	20	20
Non-current financial assets	155	—	52	165	372
Current financial assets					
Money market funds	624	—	—	—	624
Equity securities of public companies ⁽²⁾	3	—	—	—	3
Current portion of long-term receivables from customers ⁽²⁾	—	—	—	97	97
Current portion of minimum lease payments from finance lease agreements ⁽²⁾	—	—	—	28	28
Other receivables, security deposits and current assets ⁽²⁾	—	—	—	79	79
VAT receivables ⁽²⁾	—	—	—	105	105
Derivative financial instruments ⁽²⁾	—	3	—	—	3
Current financial assets	627	3	—	309	939
Financial assets at fair value and amortized cost or cost	782	3	52	474	1,311
Financial liabilities					
Contingent consideration liabilities	—	—	(112)	—	(112)
Non-current financial debt	—	—	—	(3,966)	(3,966)
Current financial debt	—	—	—	(107)	(107)
Derivative financial instruments	—	(7)	—	—	(7)
Financial liabilities at fair value and amortized cost	—	(7)	(112)	(4,073)	(4,192)

(1) Recorded in Other non-current assets.

(2) Recorded in Other current assets.

(3) The carrying amount is a reasonable approximation of fair value, with the exception of the Series 2026, 2029, 2030 and 2049 notes recorded in Non-current financial debt with a fair value of \$2,891 million and a carrying value of \$2,728 million as of December 31, 2021. The fair value of notes was determined using Level 2 inputs. The notes were valued using the quoted market price for such notes, which have low trading volumes.

The carrying amount is a reasonable approximation of fair value for all other financial assets and liabilities as of June 30, 2022, including Cash & cash equivalents, Trade receivables, Income tax receivables and Trade payables.

There were no transfers of financial instruments between levels in the fair value hierarchy during the six months ended June 30, 2022.

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
Balance as of January 1	46	28	6	24
Additions	19	9	—	—
Gain recognized in Consolidated Statement of Comprehensive Income	1	—	—	—
Unrealized (losses) in Consolidated Income Statement	—	—	(1)	(1)
Amortization	—	—	—	(8)
Settlement	(1)	—	—	—
Balance as of June 30	65	37	5	15

Financial liabilities

(\$ millions)	Contingent consideration liabilities	
	2022	2021
Balance as of January 1	(112)	(157)
Accretion for passage of time	(4)	(7)
Adjustments for changes in assumptions	7	—
Payments	—	15
Balance as of June 30	(109)	(149)

Changes in contingent consideration liabilities in the current period include fair value adjustments for changes in assumptions of \$7 million, primarily due to revised expectations for achievement and timing of settlement for development milestones. As of June 30, 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 period included a payment of \$15 million related to achievement of a development milestone.

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 2033 for contingent consideration obligations as of June 30, 2022.

Derivatives

As of June 30, 2022, the net value of unsettled positions for derivative forward contracts and swaps was \$6 million, including \$7 million of unrealized gains in Other current assets and \$1 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 derivative financial instruments, however, there were no derivative financial instruments meeting the offsetting criteria under IFRS as of June 30, 2022 or December 31, 2021.

Nature and extent of risks arising from financial instruments

Note 18 to the Consolidated Financial Statements in the Form 20-F contains a summary of the nature and extent of risks arising from financial instruments. There have been no significant updates to our assessment of the nature and extent of risks arising from financial instruments during the period.

8. Condensed Consolidated Statement of Cash Flows - additional details

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

8.1 Depreciation, amortization, impairments and fair value adjustments

(\$ millions)	Six months ended June 30	
	2022	2021
Property, plant & equipment	161	160
Right-of-use assets	38	42
Intangible assets	385	328
Financial assets	1	1
Other non-current assets	3	(1)
Total	588	530

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

(\$ millions)	Six months ended June 30	
	2022	2021
(Increase) in inventories	(118)	(184)
(Increase) in trade receivables	(151)	(117)
Increase in trade payables	8	23
Net change in other operating assets	(16)	20
Net change in other operating liabilities	(154)	(18)
Total	(431)	(276)

9. Equity-based compensation

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

The below table summarizes unvested share movements for all Alcon equity-based incentive plans for the six months ended June 30, 2022 and 2021:

(shares in millions)	Six months ended June 30	
	2022	2021
Unvested at January 1	5.6	5.4
Granted	1.8	1.8
Vested	(2.1)	(1.1)
Forfeited	(0.1)	(0.2)
Unvested at June 30	5.2	5.9

10. Legal proceedings update

A number of Alcon companies are, and will likely continue to be, subject to various legal proceedings and investigations that arise from time to time, including proceedings regarding product liability, sales and marketing practices, commercial disputes, employment, wrongful discharge, antitrust, securities, health and safety, environmental, tax, international trade, privacy, and intellectual property matters. As a result, Alcon may become subject to substantial liabilities that may not be covered by insurance and could affect 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. Note 19 to the Consolidated Financial Statements in the Form 20-F contains a summary of significant legal proceedings to which the Company or any of its subsidiaries was a party as of the date of the Form 20-F. The following is a summary as of August 9, 2022 of significant developments in those proceedings since the date of the Form 20-F.

Contact lenses class actions

Since the first quarter of 2015, more than 50 class action complaints have been 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 have been 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 will obtain a release of all claims asserted against it by the class. The settlement is subject to judicial approval.

No significant new proceedings have commenced since the date of the Form 20-F. Alcon believes that its total provisions for 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.

11. Acquisitions

The below table summarizes the purchase price allocation for asset acquisitions in the six months ended June 30, 2022 and 2021, including initial direct costs:

(\$ millions)	Six months ended June 30	
	2022	2021
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)	—
Net identifiable assets acquired	489	—
Acquired liquidity	(4)	—
Net assets recognized as a result of asset acquisitions	485	—

During the six months ended June 30, 2022, cash paid for acquisitions, net of cash acquired, was \$483 million, the most significant of which was \$475 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 the six months ended June 30, 2022, cash paid for the acquisition, net of cash acquired, was \$475 million. An additional \$2 million is expected to be paid in the third quarter of 2022.

12. Subsequent events

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 agreed to pay total up front consideration of \$60 million for *Eysuvis* and *Inveltys*, and an additional amount to purchase certain related inventory, as well as amounts to be potentially paid upon achievement of certain commercial milestones if annual sales exceed defined targets that expire after 2029.

These unaudited Condensed Consolidated Interim Financial Statements were authorized for issue by the Audit & Risk Committee on August 9, 2022.

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.

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.

Free cash flow

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

Net (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.

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

Three months ended June 30, 2022

(\$ millions except earnings per share)	IFRS results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Transformation costs ⁽⁴⁾	Other items ⁽⁶⁾	Core results
Gross profit	1,204	141	59	—	(12)	1,392
Selling, general & administration	(803)	—	—	—	(7)	(810)
Research & development	(181)	5	2	—	—	(174)
Other income	3	—	—	—	1	4
Other expense	(23)	—	—	9	7	(7)
Operating income	200	146	61	9	(11)	405
Income before taxes	147	146	61	9	(11)	352
Taxes ⁽⁷⁾	1	(24)	(14)	(2)	—	(39)
Net income	148	122	47	7	(11)	313
Basic earnings per share (\$)	0.30					0.64
Diluted earnings per share (\$)	0.30					0.63
Basic - weighted average shares outstanding (millions) ⁽⁸⁾	491.7					491.7
Diluted - weighted average shares outstanding (millions) ⁽⁸⁾	494.3					494.3

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

Three months ended June 30, 2021

(\$ millions except earnings per share)	IFRS results	Amortization of certain intangible assets ⁽¹⁾	Separation costs ⁽³⁾	Transformation costs ⁽⁴⁾	Other items ⁽⁶⁾	Core results
Gross profit	1,220	128	—	—	—	1,348
Selling, general & administration	(785)	—	2	—	—	(783)
Research & development	(178)	—	—	—	3	(175)
Other income	5	—	—	—	—	5
Other expense	(33)	—	4	15	1	(13)
Operating income	229	128	6	15	4	382
Income before taxes	191	128	6	15	4	344
Taxes ⁽⁷⁾	(40)	(23)	(2)	(3)	2	(66)
Net income	151	105	4	12	6	278
Basic earnings per share (\$)	0.31					0.57
Diluted earnings per share (\$)	0.31					0.56
Basic - weighted average shares outstanding (millions) ⁽⁸⁾	490.0					490.0
Diluted - weighted average shares outstanding (millions) ⁽⁸⁾	493.2					493.2

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

Six months ended June 30, 2022

(\$ millions except earnings per share)	IFRS results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Transformation costs ⁽⁴⁾	Legal items ⁽⁵⁾	Other items ⁽⁶⁾	Core results
Gross profit	2,412	281	59	—	—	(3)	2,749
Selling, general & administration	(1,544)	—	—	—	—	—	(1,544)
Research & development	(347)	11	2	—	—	—	(334)
Other income	12	—	—	—	—	—	12
Other expense	(87)	—	—	24	20	13	(30)
Operating income	446	292	61	24	20	10	853
Income before taxes	347	292	61	24	20	10	754
Taxes ⁽⁷⁾	(31)	(49)	(14)	(4)	(5)	—	(103)
Net income	316	243	47	20	15	10	651
Basic earnings per share (\$)	0.64						1.33
Diluted earnings per share (\$)	0.64						1.32
Basic - weighted average shares outstanding (millions) ⁽⁸⁾	491.3						491.3
Diluted - weighted average shares outstanding (millions) ⁽⁸⁾	494.2						494.2

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

Six months ended June 30, 2021

(\$ millions except earnings per share)	IFRS results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Separation costs ⁽³⁾	Transformation costs ⁽⁴⁾	Other items ⁽⁶⁾	Core results
Gross profit	2,251	253	45	—	—	—	2,549
Selling, general & administration	(1,484)	—	—	9	—	—	(1,475)
Research & development	(344)	—	—	—	—	8	(336)
Other income	14	—	—	—	—	(1)	13
Other expense	(59)	—	—	7	26	1	(25)
Operating income	378	253	45	16	26	8	726
Income before taxes	300	253	45	16	26	8	648
Taxes ⁽⁷⁾	(65)	(46)	(10)	(4)	(5)	1	(129)
Net income	235	207	35	12	21	9	519
Basic earnings per share (\$)	0.48						1.06
Diluted earnings per share (\$)	0.48						1.05
Basic - weighted average shares outstanding (millions) ⁽⁸⁾	489.9						489.9
Diluted - weighted average shares outstanding (millions) ⁽⁸⁾	492.8						492.8

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

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 a legal settlement.
- (6) For the three months ended June 30, 2022, Gross profit includes fair value adjustments to contingent consideration liabilities and the reversal of charges related to the war on Ukraine, partially offset by the amortization of inventory fair value adjustments related to a recent acquisition. Selling, general & administration includes the reversal of charges related to the war on Ukraine. Other income includes fair value adjustments of financial assets. Other expense includes integration related expenses for a recent acquisition and fair value adjustments of financial assets.

For the three months ended June 30, 2021, Research & development includes the amortization of option rights. Other expense includes fair value adjustments of financial assets.

For the six months ended June 30, 2022, Gross profit includes fair value adjustments to contingent consideration liabilities, partially offset by the amortization of inventory fair value adjustments related to a recent acquisition. Other expense includes integration related expenses for a recent acquisition and fair value adjustments of financial assets.

For the six months ended June 30, 2021, Research & development includes the amortization of option rights. Other income and Other expense include fair value adjustments of financial assets.
- (7) For the three months ended June 30, 2022, tax associated with operating income core adjustments of \$205 million totaled \$40 million with an average tax rate of 19.5%.

For the three months ended June 30, 2021, total tax adjustments of \$26 million include tax associated with operating income core adjustments, partially offset by discrete tax items. Tax associated with operating income core adjustments of \$153 million totaled \$29 million with an average tax rate of 19.0%.

For the six months ended June 30, 2022, total tax adjustments of \$72 million include tax associated with operating income core adjustments, partially offset by discrete tax items. Tax associated with operating income core adjustments of \$407 million totaled \$75 million with an average tax rate of 18.4%.

For the six months ended June 30, 2021, total tax adjustments of \$64 million include tax associated with operating income core adjustments, partially offset by discrete tax items. Tax associated with operating income core adjustments of \$348 million totaled \$67 million with an average tax rate of 19.3%.
- (8) 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 4 to the Condensed Consolidated Interim Financial Statements.

EBITDA

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Net income	148	151	316	235
Taxes	(1)	40	31	65
Depreciation of property, plant & equipment	79	82	161	160
Depreciation of right-of-use assets	19	21	38	42
Amortization of intangible assets	162	143	324	283
Impairments of property, plant & equipment, and intangible assets	61	—	61	45
Interest expense	31	30	60	61
Other financial income & expense	22	8	39	17
EBITDA	521	475	1,030	908

Cash flow and net (debt)/liquidity

(\$ millions)	Six months ended June 30	
	2022	2021
Net cash flows from operating activities	470	542
Net cash flows used in investing activities	(762)	(643)
Net cash flows used in financing activities	(277)	(76)
Effect of exchange rate changes on cash and cash equivalents	24	(14)
Net change in cash and cash equivalents	(545)	(191)
Change in derivative financial instrument assets	4	—
Change in equity securities of public companies	(3)	—
Change in current and non-current financial debts	110	(4)
Change in net (debt)	(434)	(195)
Net (debt) at January 1	(2,499)	(2,558)
Net (debt) at June 30	(2,933)	(2,753)

Net (debt)/liquidity

(\$ millions)	At June 30, 2022	At December 31, 2021
Current financial debt	(87)	(114)
Non-current financial debt	(3,883)	(3,966)
Total financial debt	(3,970)	(4,080)
Less liquidity:		
Cash and cash equivalents	1,030	1,575
Equity securities of public companies	—	3
Derivative financial instruments	7	3
Total liquidity	1,037	1,581
Net (debt)	(2,933)	(2,499)

Free cash flow

The following is a summary of free cash flow for the six months ended June 30, 2022 and 2021, together with a reconciliation to net cash flows from operating activities, the most directly comparable IFRS measure:

(\$ millions)	Six months ended June 30	
	2022	2021
Net cash flows from operating activities	470	542
Purchase of property, plant & equipment	(237)	(222)
Free cash flow	233	320

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains, and our officers and representatives may from time to time make, certain “forward-looking statements” within the meaning of the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “anticipate,” “intend,” “commitment,” “look forward,” “maintain,” “plan,” “goal,” “seek,” “target,” “assume,” “believe,” “project,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “should,” “will” and similar references to future periods. Examples of forward-looking statements include, among others, statements 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, market growth assumptions, and generally, our expectations concerning our future performance and the effects of the COVID-19 pandemic on our businesses.

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 U.S. Department of Justice; our success in completing and integrating strategic acquisitions; the impact of a disruption in our global supply chain or important facilities; the effect of the COVID-19 pandemic as well as other viral or disease outbreaks; global and regional economic, financial, legal, tax, political and social change; Russia’s war on Ukraine and the resulting global response; the commercial success of our products and our ability to maintain and strengthen our position in our markets; the success of our research and development efforts, including our ability to innovate to compete effectively; pricing pressure from changes in third party payor coverage and reimbursement methodologies; ongoing industry consolidation; our ability to properly educate and train healthcare providers on our products; the impact of unauthorized importation of our products from countries with lower prices to countries with higher prices; our reliance on outsourcing key business functions; changes in inventory levels or buying patterns of our customers; our ability to attract and retain qualified personnel; our ability to service our debt obligations; the need for additional financing through the issuance of debt or equity; our ability to protect our intellectual property; the effects of litigation, including product liability lawsuits and governmental investigations; our ability to comply with all laws to which we may be subject; effect of product recalls or voluntary market withdrawals; the implementation of our enterprise resource planning system; the accuracy of our accounting estimates and assumptions, including pension and other post-employment benefit plan obligations and the carrying value of intangible assets; 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; legislative, tax and regulatory reform; the ability of Alcon Pharmaceuticals Ltd. to comply with its investment tax incentive agreement with the Swiss State Secretariat for Economic Affairs in Switzerland and the Canton of Fribourg, Switzerland; our ability to manage environmental, social and governance matters to the satisfaction of our many stakeholders, some of which may have competing interests; 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 U.S. corporation; and the effect of maintaining or losing our foreign private issuer status under U.S. securities laws.

Additional factors are discussed in our filings with the United States Securities and Exchange Commission, including our Form 20-F. Should one or more of these uncertainties or risks materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated. Therefore, you should not rely on any of these forward-looking statements. Forward-looking statements in this document speak only as of the date of its filing, and we assume no obligation to update forward-looking statements as a result of new information, future events or otherwise.

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