

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 20-F

- ☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2021
- OR
- ☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from _____ to _____
- OR
- ☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 Date of event requiring the shell company report _____

Commission file number: 001-31269

Alcon Inc.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Switzerland

(Jurisdiction of incorporation or organization)

Rue Louis-d'Affry 6, 1701 Fribourg, Switzerland

(Address of principal executive office)

Royce Bedward, Chemin de Blandonnet 8, 1214 Vernier, Geneva, Switzerland; Tel: +1 817 293 0450 ; Fax +1 817 916 2652

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, nominal value CHF 0.04 per share	ALC	SIX Swiss Exchange New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act. **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. 490,086,981

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" and in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐ Emerging Growth Company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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INTRODUCTION AND USE OF CERTAIN TERMS

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

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

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

MARKET INFORMATION

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

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

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report contains, and our officers and representatives may from time to time make, certain “forward-looking statements” within the meaning of the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “anticipate,” “intend,” “commitment,” “look forward,” “maintain,” “plan,” “goal,” “seek,” “target,” “assume,” “believe,” “project,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “should,” “will” and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding our liquidity, revenue, gross margin, operating margin, effective tax rate, foreign currency exchange movements, earnings per share, our plans and decisions relating to various capital expenditures, capital allocation priorities and other discretionary items, market growth assumptions, and generally, our expectations concerning our future performance and the effects of the COVID-19 pandemic on our businesses. You should not place undue reliance on these statements.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties and risks that are difficult to predict such as:

- cybersecurity breaches or other disruptions of our information technology systems;
- compliance with data privacy, identity protection and information security laws;
- our ability to comply with the US Foreign Corrupt Practices Act of 1977 and other applicable anti-corruption laws, particularly given that we have entered into a three-year Deferred Prosecution Agreement with the US Department of Justice;
- 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;
- 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 US corporation; and
- the effect of maintaining or losing our foreign private issuer status under U.S. securities laws.

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

1.A. DIRECTORS AND SENIOR MANAGEMENT

Not Applicable.

1.B. ADVISERS

Not Applicable.

1.C. AUDITORS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

3.A. [RESERVED]

3.B. CAPITALIZATION AND INDEBTEDNESS

Not Applicable.

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

Not applicable.

3.D. RISK FACTORS

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

Risks Related to Our Business Generally

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

We are heavily dependent on critical, complex and interdependent information technology systems, including Internet-based systems, to support our business processes. We are also increasingly seeking to develop technology-based products to improve patient welfare in a variety of ways, which could also result in us gathering personal information about patients and others electronically. In addition, we rely on the Internet, social media tools and mobile technologies as a means of communication and to gather information, which can include personal information.

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

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

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

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

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

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

We are subject to certain privacy laws and regulations that continue to evolve, including Swiss privacy laws, the EU's General Data Protection Regulation and the California Consumer Privacy Act. In addition, there are different and potentially conflicting data privacy laws in effect in the various jurisdictions in which we operate and we must understand and comply with each law and standard in each of these jurisdictions while ensuring the data is secure. In addition, we must make significant efforts to ensure that any international transfers of personal data are done in compliance with applicable law. Failure to comply with these laws could lead to significant liability.

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

On June 25, 2020, Alcon entered into a three-year Deferred Prosecution Agreement ("DPA") with the US Department of Justice ("DoJ") regarding a charge that Alcon Pte Ltd. conspired to falsify financial books and records in violation of the US Foreign Corrupt Practices Act of 1977, as amended ("FCPA"). The charge relates to payments made by a former distributor to health care providers in Vietnam between 2007 and 2014. Alcon agreed to pay the DoJ a penalty of \$8.925 million, for which Novartis has indemnified Alcon.

Under the DPA, the DoJ has agreed to defer prosecution for three years of the facts acknowledged by us that occurred between 2007 and 2014, after which period the charges will be dismissed with prejudice if we do not violate the terms of the DPA. If the DoJ determines that we have breached the DPA, the length of the DPA could be extended, the terms could be modified, a monitor could be appointed, and/or we could be subject to prosecution and additional fines or penalties, including the deferred charges. Criminal prosecution or sanctions could have a material adverse effect on our business, financial condition, results of operations, or cash flows.

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

As part of our growth strategy, we regularly evaluate and pursue external investments, alliances, license arrangements, acquisitions and other transactions, which we collectively refer to as "BD&L" transactions, to expand or complement our business. For example, in 2021, we announced the acquisition of the US commercialization rights to *Simbrinza* and the acquisition of Ivantis. These and other ventures may bring new technologies, products or customers to enhance our prominent position in the ophthalmic industry. We may be unable to identify suitable acquisition candidates at attractive prices or at all. Acquisition activities can be thwarted by overtures from competitors for the targeted candidates and governmental regulation (including market concentration limitations and other competition laws).

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

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

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

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

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

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

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

Semiconductor chips are an essential component to the manufacture of our equipment. Due to our reliance on these semiconductor chips, we are subject to the risk of shortages and long lead times in their supply. For example, increased demand for semiconductor chips in 2020, due in part to the COVID-19 pandemic and increased demand for consumer electronics that use these chips, resulted in a severe global shortage of chips in 2021. This shortage may result in delays in the manufacture of our equipment and increased costs to source available semiconductor chips. Further, delays in the manufacture of our equipment due to a continuing shortage of semiconductor chips may harm our reputation and otherwise materially and adversely affect our business and operations.

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

The effects of the ongoing COVID-19 pandemic, as well as the mitigation measures, have had, and may continue to have, a material adverse impact on our business, net sales, profitability, financial condition, liquidity and cash flows.

To stem the spread of COVID-19 disease, in early 2020 nearly all major markets began to implement “stay-at-home” orders, business shutdowns, including offices of eye care professionals, and the deferral of non-urgent surgical procedures, leading to a global economic standstill. Such actions have resulted in disruptions to our supply chain, operations, facilities and associate workforce. While “stay-at-home” orders continued to be implemented sporadically in 2021, if business shutdowns and the deferral of non-urgent surgical procedures are re-implemented broadly to combat the spread of COVID-19, our business, net sales, financial condition, liquidity and cash flows would be adversely affected further.

The magnitude of the continued negative impact of the COVID-19 pandemic on our business, net sales, financial condition, liquidity and cash flows depends on future developments that are unpredictable and most of which are outside of our control, including the duration and scope of the pandemic, related governmental advisories and restrictions to contain COVID-19, how quickly economic conditions improve once the COVID-19 pandemic subsides, the development of therapeutic medicines and vaccines and whether there are subsequent outbreaks.

Moreover, the effects of vaccine mandates are not yet known. A growing number of countries are making vaccination compulsory for workers. Further, certain customers have issued vaccine requirements with respect to our associates who visit their facilities. Our efforts to comply with these mandates, including requiring that some or all of our associates be fully vaccinated against COVID-19, could result in increased labor attrition and disruption, as well as difficulty securing future labor needs, and could adversely impact our ability to deliver services to our customers, which could in turn adversely impact our results of operations.

To the extent COVID-19 continues to adversely affect our operations and global economic conditions more generally, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section including impeding our ability to launch new products and develop innovative products, the inability of our customers or suppliers to operate their businesses, the acceleration of industry consolidation, our inability to forecast demand accurately and our need to obtain additional financing.

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

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

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

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

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

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

Our operations in emerging markets, particularly China, expose us to heightened risks associated with conditions in those markets.

Economic, social and political conditions, laws, practices and local customs vary widely among the countries, particularly in emerging markets, in which we sell our products. Our operations in emerging markets, particularly China, are subject to a number of heightened risks and potential costs, including lower profit margins, less stringent protection of intellectual property, higher risk of violating anticorruption laws and economic, political and social uncertainty. For example, many emerging markets have currencies that fluctuate substantially. If currencies devalue and we cannot offset with price increases, our products may become less profitable. Inflation in emerging markets also can make our products less profitable and increase our exposure to credit risks. We have previously experienced currency fluctuations, unstable social and political conditions, inflation and volatile economic conditions in emerging markets, which have impacted our profitability in the emerging markets in which we operate and we may experience such impacts in the future.

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

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

Our industry is highly competitive and, in both our surgical and vision care businesses, we face a mixture of competitors and intense competition from competitors' products. While we currently enjoy leading positions within our industry, our success highly depends on our ability to maintain or build on those leading positions. To compete effectively, we must continue to create, invest in or acquire advanced technology, incorporate this technology into our proprietary products, obtain regulatory approvals in a timely manner where required and manufacture and successfully market our products. We may experience design, manufacturing, marketing or other difficulties that could delay or prevent our development, introduction or marketing of new products or new versions of our existing products. As a result of such difficulties and delays, our development expenses may increase and, as a consequence, our results of operations could suffer. Our failure to respond to competitive pressures in a timely manner could have a material adverse effect on our business, financial condition and results of operations.

For example, in our surgical business, we face a mixture of competitors ranging from large manufacturers with multiple business lines to small manufacturers that offer a limited selection of specialized products. Development by other companies of new or improved products, processes or technologies may make our products or proposed products less competitive or obsolete. We also face competition from providers of alternative medical therapies such as pharmaceutical companies that have the potential to disrupt core elements of our business.

Shifts in industry market share can occur in connection with product issues, physician advisories, safety alerts and publications about our products. In the current environment of managed care, consolidation among healthcare providers, increased competition and declining reimbursement rates, and absent innovation, we must increasingly compete on the basis of price.

In addition, our vision care business operates within a highly competitive environment. In contact lenses, we face intense competition from competitors' products and may face increasing competition as other new products enter the market, for example, with increased product entries from contact lens manufacturers in Asia. New market entrants and existing competitors are also challenging distribution models with innovation in non-traditional, disruptive models such as direct-to-consumer, Internet and other e-commerce sales opportunities, which could adversely impact the traditional eye care professional ("ECP") channel in which Alcon has a significant presence. Our major competitors in contact lenses offer competitive products and differentiated materials, plus a variety of other eye care products including ophthalmic pharmaceuticals, which may give them a competitive advantage in marketing their lenses. Our vision care business also competes with manufacturers of eyeglasses and providers of other forms of vision correction including ophthalmic surgery. Furthermore, our ocular health product category is also highly competitive. We cannot predict the timing or impact of the introduction of competitive products, including new market entries, "generic" versions of our approved products, or private label products that treat the same conditions as those of our products. In addition, the introduction of alternatives in medical devices and medical prescriptions could also alter the dry eye product market and impede our sales growth. Our ability to respond to these competitive pressures will depend on our ability to decrease our costs and maintain gross margins and operating results, introduce new products successfully and on a timely basis and achieve manufacturing efficiencies and sufficient manufacturing capacity and capabilities for such products.

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

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

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

new products that will enable us to replace sales lost to our competitors or increase revenue to grow our business. We may not be able to successfully identify and obtain value from our external business development and strategic collaborative efforts. In addition, our new products may cannibalize a portion of the revenues we derive from existing products, therefore driving replacement revenue instead of incremental revenue.

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

If we are unable to maintain a cost-effective flow of successful new products sufficient to maintain and grow our business, cover any sales erosion due to competition and take advantage of market opportunities, this lack of innovation could have a material adverse effect on our business, financial condition or results of operations. For a description of the government approval processes which must be followed to market our products, see "—Regulatory clearance and approval processes for our products are expensive, time-consuming and uncertain, and the failure to obtain and maintain required regulatory clearances and approvals could prevent us from commercializing our products" and "Item 4. Information on the Company—4.B. Business Overview—Government Regulation".

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

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

In the US as well as outside the US, governmental programs that typically reimburse at predetermined fixed rates may also decrease or otherwise limit amounts available through reimbursement. For example, in the EU, member states impose controls on whether products are reimbursable by national or regional health service providers and on the prices at which medical devices are reimbursed under state-run healthcare schemes. Some member states operate reference pricing systems in which they set national reimbursement prices by reference to those in other member states. Countries implementing a volume-based procurement process, such as the one initiated in China in 2018, can lead to decreased prices. Other governmental funding restrictions, legislative proposals and interpretations of policy may negatively impact amounts available through reimbursement, including by restricting payment increases to hospitals and other providers through reimbursement systems, or by restricting whether reimbursement is available for our products at all.

We expect that additional health care reform measures will be adopted in the future in the countries in which we operate, including those initiatives affecting coverage and reimbursement for our products, any of which could limit the amounts that governments will pay for health care products and services, which could adversely affect the growth of the market for our products or the demand for our products, or result in additional pricing pressures. We cannot predict the effect such reforms or the prospect of their enactment may have on our business.

Ongoing consolidation among distributors, retailers and healthcare provider organizations could increase both the purchasing leverage of key customers and the concentration of credit risk.

Increasingly, a significant portion of our global sales are made to a relatively small number of distributors, retail chains and other purchasing organizations, as consolidation and vertical integration continue to disrupt existing channels. As a result, our customers are gaining additional purchasing leverage, which increases the pricing pressures facing our businesses.

In our surgical business, healthcare providers, physician practices, hospitals and surgery centers around the world continue to consolidate in response to declining reimbursement rates and intensifying pressure to reduce healthcare delivery expenses. In vision care, private label growth and retailer-branded lenses may drive the commoditization of contact lenses and further boost the bargaining power of our distributors and retailers. This consolidation is increasing the ability of large groups to negotiate price, accelerating the transition of the decision maker from physicians to cost-focused professional buyers and potentially increasing price transparency or price referencing in instances of consolidation across borders.

Further, as our customers consolidate, if one or more of our major customers experienced financial difficulties, the effect on us would be substantially greater than in the past, and could include a substantial loss of sales and an inability to collect amounts owed to us.

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

We market our surgical products to healthcare providers, including ECPs, public and private hospitals, ambulatory surgical centers, eye clinics and ophthalmic surgeons' offices and group purchasing organizations and our vision care products to retailers and distributors. We have developed, and strive to maintain, strong relationships with members of each of these groups who assist in product research and development and advise us on how to satisfy the full range of consumer and surgeon needs. We rely on these groups to recommend our products to their patients and to other members of their organizations. Travel restrictions such as those due to the COVID-19 pandemic have increased the difficulty in maintaining these strong relationships.

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

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

Unauthorized or illegal distribution may harm our business and reputation.

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

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

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

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

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

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

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

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

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

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

We may be unable to attract and retain qualified personnel.

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

In addition, our ability to hire qualified personnel also depends on the flexibility to reward superior performance and to pay competitive compensation. Laws, regulations and customary practice on executive compensation, including legislation and customary practice in our home country, Switzerland, may restrict our ability to attract, motivate and retain the required level of qualified personnel. For example, pay benchmarks for Swiss and other European companies may be inconsistent with the current market in the United States, making it more difficult to recruit US talent. Further, certain associates will be required to travel frequently between Switzerland and the US. These associates may be unwilling or unable to make such a commitment. Finally, changes to immigration policies in the numerous countries in which we operate, including the United States, as well as restrictions on global travel as a result of local or global public health crises requiring quarantines or other precautions to limit exposure to infectious diseases, may limit our ability to hire or retain talent in, or transfer talent to, specific locations.

Finally, our business, particularly the manufacturing of our products, requires a substantial number of personnel. Any failure to retain stable and dedicated labor by us may lead to disruption to our business operations, including the manufacturing of our products. Although we have not experienced any material labor shortage to date, we have observed an overall tightening and increasingly competitive labor market. We have experienced, and expect to continue to experience, increases in labor costs to remain competitive in retaining talent. If we are unable to manage and control our labor costs, our business, financial condition and results of operations may be materially and adversely affected.

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

Financial markets may adversely affect our earnings, the return on our financial investments and the value of some of our assets. For example, inflation could continue to accelerate, which could lead to higher interest rates, increasing our costs of raising capital. Uncertainties around future central bank and other economic policies in the United States and EU, as well as high debt levels in certain other countries, could also impact world trade. Sudden increases in economic, currency or financial market volatility in different countries have also impacted, and may continue to impact, our business and

results of operations, including the value of our investments in our pension plans. See "—We may be underestimating our future pension and other post-employment benefit plan obligations."

Changes in exchange rates between the US dollar, our reporting currency and other currencies can also result in significant increases or decreases in our reported sales, costs and earnings as expressed in US dollars, and in the reported value of our assets, liabilities and cash flows. Despite any measures we may undertake in the future to reduce, or hedge against, foreign currency exchange risks, because a significant portion of our earnings and expenditures are in currencies other than the US dollar, and the fact that our expenditures in Swiss francs and US dollars are significantly higher than our revenue in Swiss francs and US dollars, respectively, any such exchange rate volatility may negatively and materially impact our business, results of operations and financial condition, and may impact the reported value of our net sales, earnings, assets and liabilities. For more information on the effects of currency fluctuations on our Consolidated Financial Statements and on how we manage currency risk, see "Item 5. Operating and Financial Review and Prospects—5.A. Operating Results—Effects of Currency Fluctuations" and "Item 11. Quantitative and Qualitative Disclosures About Market Risk".

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

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

We have outstanding debt of \$4.1 billion as of December 31, 2021, and we may incur additional indebtedness in the future for various reasons, including fluctuations in operating results, capital expenditures and potential acquisitions.

Our indebtedness may:

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

The occurrence of any one of these events could have a material adverse effect on our business, financial condition or result of operations or cause a significant decrease in our liquidity and impair our ability to pay amounts due on our indebtedness.

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

We may need to raise additional funds to:

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

If we raise additional funds by issuing equity or convertible debt securities, the percentage ownership of our then-existing shareholders may be diluted, and holders of these securities may have rights, preferences or privileges senior to those of our then-existing shareholders.

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

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

The protections afforded by these intellectual property rights may limit the ability of competitors to commercialize products covered by the applicable intellectual property rights, but they do not prevent competitors from marketing alternative products that compete with our products. In addition, these intellectual property rights may be challenged by third parties and regulatory agencies, and intellectual property treated as trade secrets and protected through confidentiality agreements may be independently developed by third parties and/or subject to misappropriation by others. Furthermore, in certain countries, particularly in China, due to ambiguities in the law and enforcement difficulties, intellectual property rights may not be as effective as in Western Europe or the United States. Therefore, even if we protect our intellectual property to the fullest extent permitted by applicable law, competitors and other third parties may nonetheless develop and commercialize products similar or identical to ours, which could impair our ability to compete and have an adverse effect on our business, financial condition and results of operations.

Litigation, including product liability lawsuits, and governmental investigations may harm our business or otherwise distract our management.

We, from time to time, are, and may in the future be, subject to various investigations and legal proceedings that arise or may arise.

We also periodically receive inquiries from antitrust and competition authorities in various jurisdictions and, from time to time, are named as a defendant in antitrust lawsuits. For example, since the first quarter of 2015, more than 50 putative 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 and the claims are being vigorously contested. See "Item 8. Financial Information—8.A. Consolidated Statements and Other Financial Information—Legal Proceedings".

In addition, from time to time, we are named as a defendant in product liability lawsuits and, to the extent we are, we may in the future incur material liabilities relating to such product liability claims, including claims alleging product defects and/or alleged failure to warn of product risks. The risk of material product liability litigation is increased in connection with product recalls and voluntary market withdrawals. We have voluntarily taken products off the market in the past. The combination of our insurance coverage, cash flows and provisions may not be adequate to satisfy product liabilities that we may incur in the future. Successful product liability claims brought against us or recalls of any of our products could have a material adverse effect on our business, results of operations or our financial condition.

Because of our extensive international operations, we could be adversely affected by violations of worldwide anti-bribery laws, including those that prohibit companies and their intermediaries from making improper payments to government officials or other third parties for the purpose of obtaining or retaining business, such as the FCPA, and laws that prohibit commercial bribery. Our internal control policies and procedures may not always protect us from reckless or criminal acts committed by our associates or agents. Violations of these laws, or allegations of such violations, could disrupt our business and adversely affect our reputation and our business, results of operations, cash flows and financial condition.

Substantial, complex or extended litigation could cause us to incur large expenditures, affect our ability to market and distribute our products and distract our management. For example, intellectual property litigation in which we are named as a defendant from time to time could result in significant damage awards and injunctions that could prevent the manufacture and sale of the affected products or require us to make significant royalty payments to continue to sell the affected products. Lawsuits by associates, shareholders, customers or competitors, or potential indemnification obligations and limitations of our director and officer liability insurance, could be very costly and substantially disrupt our business. Disputes with such companies or individuals from time to time are not uncommon, and we may be unable to resolve such disputes on terms favorable to us.

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

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

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

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

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

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

In particular, in recent years, there has been a trend of increasing government investigations, legal proceedings and law enforcement activities against companies and executives operating in our industry. Increasingly, such activities can involve criminal proceedings and can retroactively challenge practices previously considered to be acceptable. For instance, in 2017 and 2018, Alcon and Novartis, as well as certain present and former executives and associates of Alcon and Novartis, received document requests and subpoenas from the DoJ and the SEC requesting information concerning Alcon accounting, internal controls and business practices in Asia and Russia, including revenue recognition for surgical equipment and related products and services and relationships with third-party distributors, both before and after Alcon became part of the Novartis Group. The investigations by the DoJ and the SEC have concluded. Under our final settlement with the DoJ, we are subject to a three-year deferred prosecution agreement. Our failure to comply with the terms of the deferred prosecution agreement with the DoJ could result in resumed prosecution and other regulatory sanctions and could otherwise negatively affect our operations.

For additional information, see "Item 8. Financial Information—8.A. Consolidated Statements and Other Financial Information—Legal Proceedings" and "—If we breach the Deferred Prosecution Agreement with the US Department of Justice, then resulting actions by the DoJ could have a material adverse effect on our business, financial condition, results of operations or cash flows."

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

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

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

The manufacturing and marketing of medical devices, including surgical equipment and instruments and pharmaceuticals, involve an inherent risk that our products may prove to be defective and cause a health risk. We are also subject to a number of laws and regulations requiring us to report adverse events associated with our products. Such adverse events

and potential health risks identified in our monitoring efforts or from ongoing clinical studies may lead to voluntary or mandatory market actions, including recalls, product withdrawals or changes to the instructions for using our devices.

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

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

A recall of one of our products or a similar competing product manufactured by another manufacturer could impair sales and subsequent regulatory approvals of other similar products we market and lead to a general loss of customer confidence in our products. A product recall could also lead to a health authority inspection or other regulatory action or to us being named as a defendant in lawsuits. See "—Litigation, including product liability lawsuits, and governmental investigations may harm our business or otherwise distract our management."

We may experience difficulties implementing our new enterprise resource planning system.

We are engaged in a multi-year implementation of a new ERP system across our global commercial and manufacturing operations, which is intended to enhance and streamline our existing ERP system. ERP implementations are inherently complex and time-consuming projects that involve substantial expenditures on system software, implementation activities and business process reengineering. Any significant disruption or deficiency in the design and implementation of our new ERP system could adversely affect our ability to process orders, ship our products, provide services and customer support, fulfill contractual obligations or otherwise operate our business. For additional information, see "Item 4. Information on the Company—4.A. History and Development of the Company—Significant Acquisitions, Dispositions and other Events".

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

We sponsor pension and other post-employment benefit plans in various forms. While most of our plans are now defined contribution plans, certain of our associates remain under defined benefit plans. For these defined benefit plans, we are required to make significant assumptions and estimates about future events in calculating the present value of expected future plan expenses and liabilities. These include assumptions used to determine the discount rates we apply to estimated future liabilities and rates of future compensation increases. Assumptions and estimates we use may differ materially from the actual results we experience in the future due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants, among other variables. For example, in 2021, a decrease in the interest rate we apply in determining the present value of expected future total defined benefit plan obligations (consisting of pension and other post-employment benefit obligations) of one-quarter of one percent would have increased our year-end defined benefit obligation by \$38 million. Any differences between our assumptions and estimates and our actual experience could require us to make additional contributions to our pension funds. Further, additional employer contributions might be required if plan funding falls below the levels required by local rules.

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

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

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

The process of developing new products and obtaining necessary FDA clearance or approval, CE marking, or other regulatory marketing authorization is lengthy, expensive and uncertain. Our potential products could take a significantly longer time than we expect to gain marketing authorization or may never gain such marketing authorization. Regulatory authorities may require additional testing or clinical data to support marketing authorization, delaying authorization and

market entry of our products. Even if the FDA or another regulatory agency or notified body approves a product, the approval may limit the indicated uses for a product, may otherwise limit our ability to promote, sell and distribute a product or may require post-marketing studies or impose other post-marketing obligations. We may be unable to obtain the necessary regulatory clearances or approvals for any product on a timely basis or at all. If a regulatory authority delays authorization of a potentially significant product, our market value and operating results may decline. Similarly, if we are unable to obtain regulatory approval or CE marking of our products, we will not be able to market these products, which would result in a decrease in our sales.

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

The manufacture of our products is highly regulated and complex.

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

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

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

The research, development, testing, manufacturing, sale and marketing of our products are subject to extensive governmental regulation. Government regulation includes inspection of and controls over testing, manufacturing, safety and environmental controls, efficacy, labeling, advertising, marketing, promotion, record keeping, tracking, reporting, distributing, import, export, samples, electronic records and electronic signatures.

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

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

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

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

In addition, we are required to comply with various import laws and export control and economic sanctions laws, which may affect our transactions with certain customers. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products or services. In other circumstances, we may be required to obtain an export license before exporting the item. Compliance with the various import laws that apply to our businesses can restrict our access to, and increase the cost of obtaining, certain products and at times can interrupt our supply of imported inventory. Any noncompliance by us with applicable laws and regulations or the failure to maintain, renew or obtain necessary permits and licenses could result in criminal, civil and administrative penalties and could have an adverse effect on our results of operations.

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

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

We are subject to various global laws pertaining to healthcare fraud and abuse, including anti-kickback laws and physician self-referral laws. For example, the US federal healthcare program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce, or in return for, purchasing, leasing, ordering, arranging for or recommending the purchase, lease or order of any healthcare item or service reimbursable under Medicare, Medicaid or other federally financed healthcare programs. These US laws have been interpreted to apply to arrangements between manufacturers, on the one hand, and prescribers, purchasers, formulary managers and other healthcare-related professionals, on the other hand. US law provides that a claim for federal healthcare program reimbursement for items or services resulting from a violation of the federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the false claims statutes. Pricing and rebate programs for covered outpatient drugs reimbursed under federal healthcare programs must comply with the Medicaid drug rebate requirements of the Omnibus Budget Reconciliation Act of 1990, as amended, the Veterans Health Care Act of 1992, as amended, and the Deficit Reduction Act of 2005, as amended. The statutes and regulations governing the various price reporting requirements are complex and have changed over time, and the US government has not given clear guidance on many issues. In addition, recent statutory and regulatory developments have not yet been applied by the government or courts to specific factual situations. We believe that we are in compliance with all applicable government price reporting requirements, but there is the potential that the Centers for Medicare & Medicaid Services ("CMS"), other regulatory and law enforcement agencies or a court could arrive at different interpretations, with adverse financial or other consequences for us. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. All of these activities are also potentially subject to federal and state consumer protection and unfair competition laws. Some European Union bodies and most European Union member states and Japan impose controls and restrictions that are similar in nature or effect to those described above.

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

Depending on the circumstances, failure to meet these applicable legal and regulatory requirements can result in criminal prosecution, fines or other penalties, injunctions, recall or seizure of products, total or partial suspension of production,

denial or withdrawal of pre-marketing product approvals, private "qui tam" actions brought by individual whistleblowers in the name of the government, or refusal to allow us to enter into supply contracts, including government contracts, any of which could have a material adverse effect on our business, financial condition or results of operations.

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

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

First, it could be costly and onerous to comply with changes or new requirements relating to the regulatory approval process or postmarket requirements applicable to our products in various jurisdictions. As discussed in "Item 4. Information on the Company—4.B. Business Overview—Government Regulation—Product Approval and Monitoring" the EU has made recent changes to its regulatory regime. In addition, several countries that did not have regulatory requirements for medical devices have established such requirements in recent years, and other countries have expanded, or plan to expand, their existing regulations. While harmonization of global regulations has been pursued, requirements continue to differ significantly among countries. Further, the FDA is also pursuing various efforts to modernize its regulation of devices, including potential changes to the 510(k) pathway such as limiting reliance on older predicate devices and establishing an alternative 510(k) pathway that permits reliance on objective performance criteria. We expect this global regulatory environment to continue to evolve, which could impact the cost of, the time needed to approve and, ultimately, our ability to maintain existing approvals or obtain future approvals for, our products.

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

Third, changes to current regulations in certain countries, including the United States, requiring a prescription for the purchase of contact lenses could have a significant impact on the way we market and distribute contact lens and contact lens care products, by limiting the role of the ECP as an intermediary in the sale of our vision care products. Such changes could require us to incur significant costs to update our marketing and distribution methodologies and could adversely affect the sales of our vision care products.

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

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

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

We must comply with certain tax incentive agreements in Switzerland.

While operating as a division of Novartis, our subsidiary, Alcon Pharmaceuticals Ltd. ("APL"), benefited from an investment tax incentive granted by the Swiss State Secretariat for Economic Affairs in Switzerland and the Canton of Fribourg, Switzerland in respect of both Swiss federal taxes and Fribourg cantonal / communal taxes for the fiscal years ended December 31, 2007 through December 31, 2017. This tax incentive is subject to a five year "claw-back" period if Alcon does not continue to meet certain requirements related to its operations in Fribourg.

In connection with the Spin-off, our former parent retained certain assets of APL related to APL's former pharmaceutical business. As a result, Novartis agreed with the Canton of Fribourg that each of APL and a subsidiary of Novartis (Novartis Ophthalmics AG, Fribourg) will have separate and standalone obligations and potential liabilities in connection with the five year claw-back period relating to the Fribourg investment tax incentive granted to APL. In particular, APL may be required to pay a "claw-back" amount of up to CHF 1.3 billion to the Fribourg tax authorities if APL fails to continue certain business activities in Fribourg and if Alcon Inc., APL and Alcon Services AG fail to (i) remain tax resident in Fribourg, and (ii) employ a certain minimum number of associates in Fribourg. Since December 31, 2018, our "claw-back" obligation has begun to be reduced each year by 20% of the original maximum amount and will expire on December 31, 2022. As of December 31, 2021, the "claw-back" obligation amounted to CHF 260 million.

We intend to conduct APL's operations so as to comply with these requirements in all respects; however, we may be unable to meet, or the Canton of Fribourg may successfully challenge our compliance with, these requirements. If the Canton of Fribourg successfully challenges our compliance with these requirements, we would be required to pay all or a portion of the "claw-back" amount.

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

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

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

In recent years, tax authorities around the world have increased their scrutiny of company tax filings and have become more rigid in exercising any discretion they may have. As part of this, the Organization for Economic Co-operation and Development ("OECD") has proposed certain changes to the International tax standards that have resulted and will continue to result in local tax law changes under its Base Erosion and Profit Shifting ("BEPS") Action Plans to address issues of transparency, coherence and substance. Most recently, the OECD released its plans for proposing further amendments to the international tax standards, including a new attribution of the right to tax corporate profits where customers are located and a mechanism ensuring that all corporate profits would be subject to a minimum taxation level. In December 2021, the OECD released preliminary guidance as to how to calculate the minimum 15% tax rate that multinational companies are expected to be subject to in each country they operate in. These rules, when enacted, are likely to lead to an increase of our tax expense and effective tax rate.

Furthermore, Switzerland and the various Swiss cantons in which Alcon is present have adopted their own corporate tax reform. The main elements of the Swiss tax reform became effective in 2020 and have resulted in an increase in Alcon's tax burden and effective tax rate in Switzerland.

In 2021, substantive modifications to the US corporate tax regulations were proposed as part of the Build Back Better legislation proposal. These regulations, if adopted and when enacted, could have a negative impact on our tax expense, effective tax rate and financial condition.

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

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

We carry a significant amount of goodwill and other intangible assets on our Consolidated Balance Sheet, primarily due to the value of the Alcon brand name, but also intangible assets associated with our technologies, acquired research and development, currently marketed products and marketing know-how. As a result, we may incur significant noncash impairment charges if the fair value of the intangible assets and the groupings of cash generating units containing goodwill would be less than their carrying value on our Consolidated Balance Sheet at any point in time. For example, in 2021, we recognized \$225 million in impairment charges.

For a detailed discussion of how we determine whether an impairment has occurred, what factors could result in an impairment and the impact of impairment charges on our results of operations, see "Note 3. Selected Accounting Policies—Goodwill and intangible assets—Impairment of goodwill, Alcon brand name and definite lived intangible assets" to our Consolidated Financial Statements included elsewhere in this Annual Report.

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

Increasingly, in addition to the importance of their financial performance, companies are being judged by their performance on a variety of environmental, social and governance ("ESG") matters, which are considered to contribute to the long-term sustainability of companies' performance.

A variety of organizations measure the performance of companies on such ESG topics, and the results of these assessments are widely publicized. In addition, investment in funds that specialize in companies that perform well in such assessments are increasingly popular, and major institutional investors have publicly emphasized the importance of such ESG measures to their investment decisions. Topics taken into account in such assessments include, among others, the company's efforts and impacts on climate change and human rights, diversity and inclusion, ethics and compliance with law and the role of the company's board of directors in supervising various sustainability issues. In addition to the topics typically considered in such assessments, in the healthcare industry, issues of the public's ability to access our products and solutions are of particular importance.

We actively manage a broad range of such ESG matters, taking into consideration their expected impact on the sustainability of our business over time and the potential impact of our business on society and the environment. However, in light of investors' increased focus on ESG matters, there can be no certainty that we will manage such issues successfully, or that we will successfully meet society's expectations as to our proper role. Any failure or perceived failure by us in this regard could have a material adverse effect on our reputation and on our business, share price, financial condition or results of operations, including the sustainability of our business over time.

Risks related to the Ownership of our Shares

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

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

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

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

We may not pay or declare dividends.

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

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

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

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

We report under the Securities Exchange Act of 1934, as amended ("Exchange Act"), as a non-US company with foreign private issuer status. Because we qualify as a foreign private issuer under the Exchange Act and although we are subject to Swiss laws and regulations with regard to such matters and intend to continue to furnish quarterly financial information to

the SEC, we are exempt from certain provisions of the Exchange Act that are applicable to US domestic public companies, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act, (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. In addition, foreign private issuers are not required to file their annual report on Form 20-F until four months after the end of each financial year, while US domestic issuers that are large accelerated filers are required to file their annual report on Form 10-K within 60 days after the end of each fiscal year. Foreign private issuers are also exempt from Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information.

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

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

We may lose our foreign private issuer status.

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

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

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

Swiss law reserves for approval by shareholders certain corporate actions over which a board of directors would have authority in some other jurisdictions. For example, shareholders must approve the payment of dividends and cancellation of treasury shares. Swiss law also requires that our shareholders themselves resolve to, or authorize our Board to, increase our share capital. While our shareholders may authorize share capital that can be issued by our Board without additional shareholder approval, Swiss law limits this authorization to 50% of the issued share capital at the time of the authorization. The authorization, furthermore, has a limited duration of up to two years and must be renewed by the shareholders from time to time thereafter in order to be available for raising capital. Additionally, Swiss law grants pre-emptive rights to existing shareholders to subscribe for new issuances of shares and advance-subscription rights to subscribe for convertible bonds or similar instruments with conversion or option rights. A resolution adopted at a shareholders' meeting by a qualified majority of two-thirds of the votes represented, and the absolute majority of the nominal value of the shares represented, may restrict or exclude such pre-emptive or advance-subscription rights in certain limited circumstances. In June 2020, the Swiss Parliament approved certain changes to Swiss corporate law including permitting the payment of interim dividends, subject to shareholders' approval, and providing a board of directors more flexibility to increase share capital. The enactment date for these changes has not yet been determined and may require an amendment to Alcon's articles of incorporation. Despite these prospective changes, Swiss law also does not provide as much flexibility in the various rights and regulations that can attach to different categories of shares

as do the laws of some other jurisdictions. These Swiss law requirements relating to our capital management may limit our flexibility, and situations may arise where greater flexibility would have provided benefits to our shareholders.

It may be difficult to enforce US judgments against us.

We are organized under the laws of Switzerland. As a result, it may not be possible for investors to effect service of process within the United States upon us or upon such persons or to enforce against them judgments obtained in US courts, including judgments in actions predicated upon the civil liability provisions of the federal securities laws of the United States. We have been advised by our Swiss counsel that there is doubt as to the enforceability in Switzerland of original actions, or in actions for enforcement of judgments of US courts, of civil liabilities to the extent predicated upon the federal and state securities laws of the United States. Original actions against persons in Switzerland based solely upon the US federal or state securities laws are governed, among other things, by the principles set forth in the Swiss Federal Act on International Private Law. This statute provides that the application of provisions of non-Swiss law by the courts in Switzerland shall be precluded if the result is incompatible with Swiss public policy. Also, mandatory provisions of Swiss law may be applicable regardless of any other law that would otherwise apply.

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

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

ITEM 4. INFORMATION ON THE COMPANY

4.A. HISTORY AND DEVELOPMENT OF THE COMPANY

General Corporate Information

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

Alcon is domiciled in Fribourg, Switzerland and our registered office is located at Rue Louis-d'Affry 6, 1701 Fribourg, Switzerland. Our headquarters is located in Geneva, Switzerland at the following address: Chemin de Blandonnet 8, 1214 Vernier, Geneva, Switzerland. Our telephone number is +41 58 911 20 00. Our principal website is www.alcon.com. The information contained on our website is not a part of this Form 20-F.

General Development of Business

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

In 1977, Alcon was acquired by a Swiss subsidiary of Nestlé S.A. and, consequently, Alcon began operating as a wholly owned subsidiary of Nestlé until 2002. In 2001, the name of the entity was officially changed to Alcon, Inc. and, on March 20, 2002, Nestlé completed an initial public offering of approximately 25% of the outstanding common shares of Alcon, Inc. From March 20, 2002 until its 2011 merger into Novartis discussed below, Alcon was publicly listed and traded on the NYSE under the symbol "ACL".

On July 7, 2008, Nestlé sold to Novartis approximately 25% of the then outstanding Alcon shares and granted Novartis an option for Novartis to acquire Nestlé's remaining shares in Alcon beginning in 2010. On August 25, 2010, Novartis purchased the remaining approximately 52% of the total outstanding Alcon shares owned by Nestlé. Following this purchase, Novartis owned an approximate 77% interest in Alcon. On December 14, 2010, Novartis entered into a definitive agreement to acquire the remaining 23% of Alcon through a merger of Alcon, Inc. into Novartis in consideration for Novartis shares and a contingent value amount. The merger was consummated on April 8, 2011, creating the Alcon Division within Novartis. In connection with the Novartis acquisition of Alcon, Novartis also merged its then-existing contact lens and contact lens care unit, CIBA Vision, and certain of its ophthalmic pharmaceutical products into Alcon and moved the generic ophthalmic pharmaceutical business conducted by Alcon prior to the merger into the Sandoz Division of Novartis. In 2016, Novartis moved the management and reporting of Alcon ophthalmic pharmaceutical and over-the-counter ocular health products to the Innovative Medicines Division of Novartis. Subsequently, effective January 1, 2018, Novartis returned to Alcon the management and reporting of over-the-counter ocular health products and certain surgical diagnostic medications previously transferred from Alcon in 2016.

On June 29, 2018, Novartis announced its intention to seek shareholder approval for the Spin-off of its Alcon Division, following the complete legal and structural separation of Alcon into a stand-alone company consisting of Alcon Inc. and its consolidated subsidiaries. Novartis shareholders approved the Spin-off on February 28, 2019, and the Spin-off transaction was consummated on April 9, 2019. Following the Spin-off, Alcon became a stand-alone, independent company.

Significant Acquisitions, Dispositions and other Events

COVID-19 Pandemic

The COVID-19 pandemic continued to have an impact on our financial results and operations in 2021. The 2021 financial impact and risks are discussed in more detail in this Annual Report, including under "Item 5. Operating and Financial Review and Prospects".

Significant Investments

In 2012, we began a multi-year software implementation project to standardize our processes, enhance data transparency and globally integrate our fragmented and aging information technology systems across our commercial, supply and manufacturing operations worldwide, through a new foundation of Systems, Applications and Products in Data Processing ("SAP"), which is an ERP software platform. We expect to pay a total of approximately \$808 million relating to the implementation of the new ERP system. We expect to complete the implementation in early 2023. Through December 31, 2021, the total amount paid with respect to the implementation was \$768 million.

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

Acquisitions

In the past three years, we have also entered into certain acquisition transactions, including (i) the exercise of an option to acquire 100% of the outstanding shares and equity of Ivantis, Inc. on November 5, 2021, (ii) the acquisition of exclusive US commercialization rights to *Simbrinza* (brinzolamide/brimonidine tartrate ophthalmic suspension) 1%/0.2% from Novartis on June 8, 2021, and (iii) the acquisition of 100% of the outstanding shares and equity of PowerVision, Inc. on March 13, 2019. For further details on certain of our significant transactions in 2021, 2020 and 2019, see "Note 4 to the Consolidated Financial Statements."

Debt Issuances

In connection with the Spin-off, as discussed in greater detail in "Item 10. Additional Information—10.C. Material Contracts," on March 6, 2019 we entered into the Facilities. See "Item 10.C. Material Contracts—Bridge Loan, Term Sheet and Revolving Credit Facilities" for more information.

On September 23, 2019, AFC issued Senior Notes ("Notes") with maturity dates in 2026, 2029 and 2049, which are guaranteed by the Company. The Notes are unsecured senior obligations of AFC issued in a private placement. The total principal amount of the Notes is \$2.0 billion. The Notes were issued at a discount totaling \$7.0 million, which was recorded as a reduction to the carrying value of the Notes and will be amortized to Interest expense over the term of the Notes. AFC incurred \$15 million of debt issuance costs, which were recorded as a reduction to the carrying value of the Notes and will be amortized to Other financial income & expense over the term of the Notes.

The Notes consist of the following:

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

The funds borrowed through the issuance of the Initial Notes were used to repay the \$1.5 billion Bridge Facility and \$0.5 billion Facility A, both of which had been entered into on March 6, 2019. For more information on the Notes, see Note 17 to our Consolidated Financial Statements.

On May 27, 2020, AFC issued senior notes due in 2030 ("Series 2030 Notes"), which are guaranteed by the Company. The Series 2030 Notes are unsecured senior obligations of AFC issued in a private placement and rank equally in right of payment with the Series 2026, Series 2029 and Series 2049 notes. The total principal amount of the Senior 2030 Notes is \$750 million. The Senior 2030 Notes were issued at 99.8% with 2.600% interest payable twice per year in May and November, beginning in November 2020. The Series 2030 Notes were issued at a discount totaling \$1 million, which was recorded as a reduction to the carrying value of the Series 2030 notes and will be amortized to Interest expense over the term of the Series 2030 Notes. AFC incurred \$5 million of debt issuance costs, which were recorded as a reduction to the carrying value of the Series 2030 Notes and will be amortized to Other financial income & expense over the term of the Series 2030 Notes. For more information on the Series 2030 Notes, see Note 17 to our Consolidated Financial Statements.

Transformation Program

On November 19, 2019, we announced a multi-year transformation program to better align our organizational structure with the scope of Alcon's business operations globally. We created four shared business centers designed to create efficiencies for reinvestment into key growth drivers. We estimate that the transformation program will result in total

charges of approximately \$300 million by 2023. Through December 31, 2021, the total expense recognized with respect to the transformation program was \$169 million.

Additional Information

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

4.B. BUSINESS OVERVIEW

Overview

Alcon is the global leader in eye care with \$8.2 billion in net sales during the year ended December 31, 2021. We research, develop, manufacture, distribute and sell a full suite of eye care products within two key businesses: Surgical and Vision Care. Based on sales for the year ended December 31, 2021, we are the number one company by global market share in the ophthalmic surgical market and in the vision care market. We employ over 24,000 associates from more than 100 nationalities, operating in 60 countries and serving consumers and patients in over 140 countries. We believe our market leading position and global footprint allow us to benefit from economies of scale, maximize the potential of our commercialized products and pipeline and will permit us to effectively grow the market and expand into new product categories.

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

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

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







Our Markets

Overview

We currently operate in the global ophthalmic surgical and vision care markets, which are large, dynamic and growing. As the world population grows and ages, the need for quality eye care is expanding and evolving, and we estimate that the size of the eye care market in which we operate is approximately \$27 billion and is projected to grow mid-single digits per year from 2021 to 2026.

Although it is estimated that 90% of all visual impairments are currently preventable, treatable or curable, we operate in markets that have substantial unmet medical and consumer needs. For example, based on market research, it is estimated that there are currently 65 million people with moderate to severe vision impairment due to cataracts, 1.8 billion who suffer from presbyopia, 153 million with uncorrected refractive errors, 146 million with diabetic retinopathy, 103 million living with glaucoma and approximately 1.4 billion who suffer from symptoms of dry eye, among other unaddressed ocular health conditions. In addition, there are 1 billion people living with some form of unaddressed visual impairment, as well as 70% of the global population needing basic vision correction. Below is a brief description of these ocular disorders.



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

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

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

The Surgical Market

The surgical market in which we operate is estimated to be \$11 billion and is projected to grow mid-single digits per year from 2021 to 2026. The surgical market includes sales of implantables, consumables and surgical equipment, including associated technical, clinical and service support and training. Surgical implantables are medical devices designed to remain in the eye, such as monofocal and AT-IOLs placed in the eye during cataract surgery. Consumables include hand-held instruments, surgical solutions, equipment cassettes, patient interfaces and other disposable items typically used during a single ophthalmic surgical procedure. Finally, surgical equipment includes multi-use surgical consoles, lasers and diagnostic instruments used across procedures to enable surgeons to visualize and conduct ophthalmic surgeries. Market growth is expected to be driven mainly by:

- An aging population causing increased global demand in cataract and vitreoretinal procedures;
- Higher uptake of premium patient-pay technologies, such as where AT-IOL penetration is only 10% outside the US versus 19% in the US;

- Increased adoption of advanced technologies, such as improved diagnostic instruments, surgical options for glaucoma management and the growing use of phacoemulsification during cataract removal, which is utilized in 65% of cases in emerging markets versus over 95% in the US; and
- The increasing prevalence of diabetes, the incidence of which has nearly doubled from 4.7% in 1980 to 8.5% in 2014, and for which eye disease is a comorbidity.

The Vision Care Market

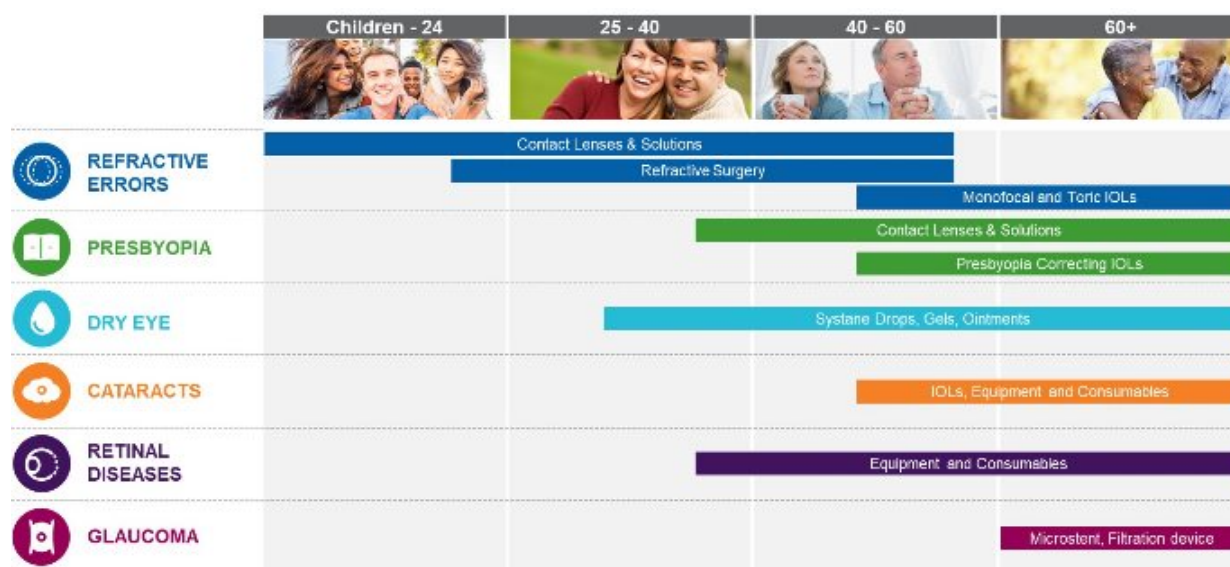
The vision care market in which we operate is estimated to be \$16 billion and is projected to grow mid-single digits per year from 2021 to 2026. The vision care market is comprised of products designed for use by eye care professionals and consumers. Products are largely categorized across two product lines: contact lenses and ocular health. Market growth is expected to be driven mainly by:

- Fast growing daily disposable contact lens and premium reusable lens segment fueled by better material, improved health and comfort and enhanced vision acuity;
- Advancements in specialty lenses combined with increasing demand for toric, multifocal and cosmetic lenses, which command an approximately 15-30% pricing premium over spherical lenses, allowing patients to continue wearing contact lenses as they become older and helping to expand the market;
- A significant population of approximately 194 million undiagnosed dry eye patients, with an additional 42 million self-diagnosed dry eye patients using unsuitable products for treatment, and advances in diagnostics and ocular health treatments, facilitating the increase in patient awareness of dry eye and treatment;
- Growing access and consumption of vision care products in emerging markets such as Asia, which had an estimated single-digit contact lens penetration as compared to double digits in the developed world; and
- Increasing consumer access through the expansion of distribution models, including internet sales and other direct-to-consumer channels.

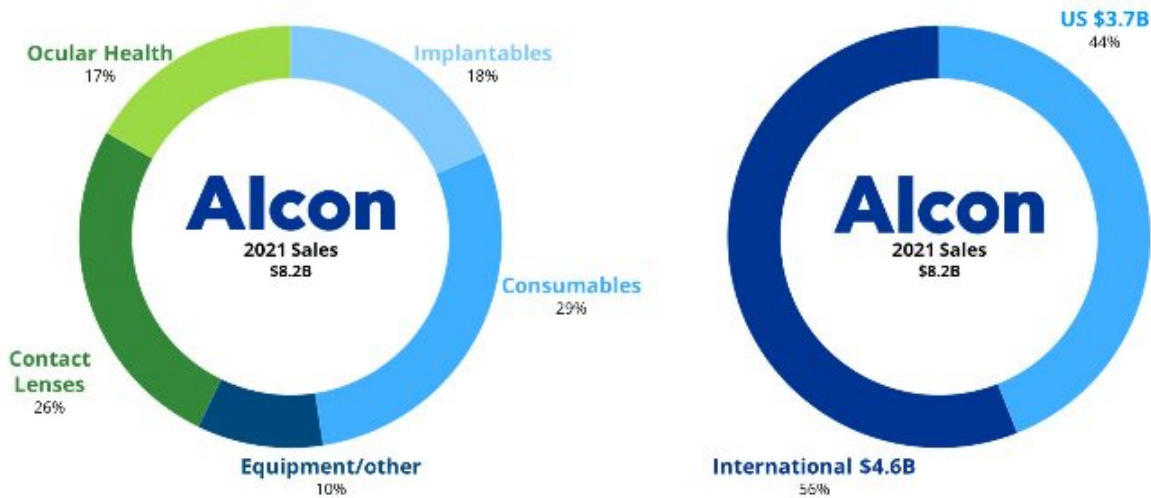
Our Business

Overview

With \$8.2 billion in net sales during the year ended December 31, 2021, we are the global leader in eye care. Our broad range of products represents one of the most complete portfolios in the ophthalmic industry and comprises high-quality and technologically advanced products across all major product categories in the surgical and vision care markets. Our Surgical and Vision Care products are used in treating multiple ocular health conditions and offer leading eye care solutions for patients throughout their lives.



Our leadership position across most of our product categories enhances our ability to extend our product offering through the launch of new and innovative products and to expand our geographic reach into ophthalmic markets worldwide. Our Surgical business had approximately \$4.7 billion in net sales of implantables, consumables and equipment, as well as services and other surgical products, and our Vision Care business had approximately \$3.5 billion in net sales of our contact lens and ocular health products, during the year ended December 31, 2021.



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

We have 18 state-of-the-art manufacturing facilities that employ our proprietary technologies and know-how. We believe our global footprint, knowledge base in manufacturing, state-of-the-art facilities and capacity planning enable us to handle increased levels of product demand and product complexity. Furthermore, our global manufacturing and supply chain allows us to leverage economies of scale and reduce cost per unit as we ramp up production.

We have also made one of the largest commitments to research and development of any surgical and vision care company, with over 1,400 associates worldwide researching and developing treatments for vision conditions and eye diseases, and have sought innovation from both internal and external sources. In 2021, we invested \$842 million in research and development. In addition to our in-house research and development capabilities, we also consider external innovation opportunities and routinely screen for companies developing emerging technologies that we believe could enhance our existing product offerings or develop into innovative new products. We intend to continue to pursue acquisition, licensing and collaboration opportunities as part of our goal of remaining a market leader in innovation.

Our Surgical Business

We hold the number one position in the global surgical market, offering implantable products, consumables and equipment for use in surgical procedures to address cataracts, vitreoretinal conditions, refractive errors and glaucoma. Our Surgical business has the most complete line of ophthalmic surgical devices in the industry, creating a "one-stop shop" for our customers that we consider to be a key differentiator for our business. For the year ended December 31, 2021, our Surgical business had \$4.7 billion in net sales.

Our Vision Care Business

Our Vision Care business consists of an extensive portfolio of contact lens and ocular health products, aimed at helping consumers see better. Our product lines include daily disposable, reusable and color-enhancing contact lenses. We also offer a comprehensive portfolio of ocular health products, including products for dry eye, glaucoma, contact lens care and ocular allergies, as well as ocular vitamins and redness relievers. With \$3.5 billion in vision care net sales for the year ended December 31, 2021, we aim to continue to innovate across our vision care portfolio to improve the lives of consumers and eye care professionals around the world.

Our Strengths

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

- **Global leader in highly attractive markets with the most complete brand portfolio.** With \$8.2 billion in net sales in the year ended December 31, 2021, we are the leader in an attractive eye care market, which is supported by favorable population megatrends and is expected to grow mid-single digits per year from 2021 to 2026. Our Surgical business is the market leader in sales of ophthalmic equipment used in the operating room and is supported by the largest installed base of equipment worldwide, which we use to cross-promote our surgical consumables and IOLs. In our Vision Care business, our extensive portfolio of contact lens and ocular health products includes well-recognized brands such as *TOTAL*, *Precision*, *Systane*, *Pataday* and *Opti-Free*. We believe our global leadership position and extensive brand portfolio allow us to benefit and build on the robust fundamentals driving growth in our markets.
- **Innovation-focused with market leading development capabilities and investment.** We have made one of the largest commitments to research and development in the eye care market, with proven research and development capabilities in the areas of optical design, material and surface chemistry, automation and equipment platforms. Currently, we employ over 1,400 individuals dedicated to our research and development efforts, including physicians, doctors of optometry and PhDs. In addition, we actively seek opportunities to collaborate with third parties on advanced technologies to support our eye care business.
- **Global scale and reach supported by high-quality manufacturing network.** We have an extensive global commercial footprint that provides us with the scale and reach to support future growth, maximize the potential of new launches, enter new geographies efficiently and to take advantage of the large, dynamic and growing surgical and vision care markets. Our commercial footprint, which includes operations in 60 countries, reaches consumers and patients in over 140 countries and is supported by over 3,500 sales force associates, 18 state-of-the-art manufacturing facilities employing our proprietary technologies and know-how and our extensive global regulatory capability. Our extensive sales and distribution network, supported by our market leadership position and focus on innovation and customer experience, enhances our ability to expand our geographic reach and extend our product offerings through the launch of new and innovative products worldwide.
- **Outstanding customer relationships and a trusted reputation for customer service, training and education.** We believe that maintaining the highest levels of service excellence in our customer experience is a critical success factor in our industry. In our Vision Care business, we regularly meet with eye care practitioners to gain feedback and insights on our products and consumers' needs. We also provide training support at over 70 state-of-the-art interactive training centers around the world, as well as through numerous digital and event-based training programs that we provide for practitioners, clinical support staff, students, residents, patients and consumers. In each of our businesses, we have built and maintained our relationships with key stakeholders to establish our trusted reputation in the industry.
- **World leading expertise in eye care led by a first-class management team.** Our expertise in eye care is driven by our more than 75-year history in the industry and is supported by a high-quality workforce of more than 24,000 associates. We believe our institutional knowledge provides a competitive advantage because our associates' industry expertise, relationships with our customers and understanding of the development, manufacture and sale of our products helps us to better identify new customer needs, assess markets for entry and identify promising technologies. In addition, we believe the diverse experience of our management team in running complex businesses allows them to add significant value to our company. In particular, we benefit from having a management team with an extensive background in the eye care industry. Led by David J. Endicott, our Chief Executive Officer, our management team's deep knowledge of eye care has created excitement among our workforce for our mission.

Our Strategy

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

- **Maximize the potential of our near-term portfolio by growing key products.** In Surgical, we plan to maintain our leading position in the IOL market as we launch our AT-IOLs on our new Clareon platform. In addition, we expect improved diagnostics and new optical designs will address historical barriers to AT-IOL adoption to further grow this patient-pay market. We will also continue to invest behind our presbyopia-correcting products (e.g., *PanOptix*, *Vivity*), execute on the development of our next generation equipment ecosystem for the operating room and office, leading to integration and intra-operability, and expand our reach in surgical glaucoma with the newly acquired *Hydrus* microstent. In Vision Care, we intend to maintain and grow our leading position in most of our product categories through increased eye care professional and consumer education, supported by continuous production innovation. We intend to expand our position in the daily disposable category behind our *DAILIES TOTAL1* and *PRECISION1* family of products and trade patients up to a premium offering in the reusable segment with *TOTAL30*. We also aim to expand the dry eye product market by leveraging our well-recognized *Systane* family of eye drops and increasing investment in dry eye education and awareness, as well as address the allergy relief market with the *Pataday* family of products, where we see a significant unmet need and an opportunity for robust market growth.
- **Accelerate innovation and deliver the next wave of technologies.** We are committed to accelerating innovation by continuing to be one of the market leaders in investment in ophthalmic research and development. The research and development activities of our Surgical business are focused on expanding our AT-IOL portfolio to optimize the function of the IOL in restoring vision and reducing outcome variability, including through the use of advanced optics, adjustable materials and accommodating lenses. We are also developing next-generation lasers, robotics and other equipment for cataract, vitreoretinal and laser-refractive surgery, as well as improved visualization equipment. In our Vision Care business, our focus is on developing and launching new contact lens materials, coatings and designs to extend our product lines and improve patient comfort, as well as on new products to expand our portfolio of dry eye diagnostic and treatment, presbyopia and ocular health products. Finally, we expect to continue to supplement our internal innovation investments by identifying and executing on attractive BD&L opportunities with leading academic institutions and early-stage companies.
- **Capture opportunities to expand markets and pursue adjacencies.** We believe there is a significant opportunity for growth in markets around the world due to under-penetration of both premium surgical devices, such as AT-IOLs, and of our Vision Care portfolio. We intend to facilitate this growth by continued investment in promotion and customer education across all of our markets. In emerging markets in particular, we believe that the growing number of eye care professionals and dedicated eye hospitals, increased levels of affluence, improving technology access and better patient awareness will increase the adoption of our products. By acquiring Ivantis, Inc. in early 2022, we expanded our Surgical portfolio to include the *Hydrus* microstent, a minimally invasive glaucoma surgery (or MIGS) device for the treatment of mild-to-moderate glaucoma. In addition, we believe we have significant opportunities to expand into adjacent product categories in which Alcon has not significantly participated in the past, through a combination of internal development efforts and potential mergers and acquisitions activity. These opportunities include pharmaceuticals, office-based diagnostics, surgical visualization and consumer driven ocular health products, where we expect our eye care expertise and global commercial footprint will allow us to attract and retain new customers.
- **Support new business models to expand customer experience.** In Surgical, we intend to continue to identify new business models that benefit healthcare providers and improve access to leading Alcon products and technologies. For example, we are pursuing value-based business models that reward improved patient outcomes, as well as models that contract the entire procedure versus individual products. In Vision Care, where e-commerce entries have created some disruption of traditional sales channels, we believe that digital technology can address pain points experienced in existing paths to purchase. We intend to continue investing and innovating in digital capabilities to develop new business models in response to channel shifts and the increase in direct-to-consumer influence.
- **Leverage infrastructure to improve operating efficiencies and margin profile over time.** With the significant organizational and infrastructure investments we have made over the last several years, we believe we have established a stable foundation that will allow us to continue to enhance the productivity of our commercial resources. We expect to drive significant top line growth and increase operating leverage through improved sales mix, further supply chain efficiency initiatives and support new lower-cost manufacturing platforms to meaningfully improve our core operating income margins over time.

Our Industry

Selected Conditions that are Treated by Eye Surgery and Surgical Products

Cataracts

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

Retinal Disorders

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

Refractive Errors

Refractive errors, such as myopia, commonly known as near-sightedness, hyperopia, commonly known as far-sightedness, and astigmatism, a condition in which images are not focused at any one point, result from an inability of the cornea and the lens to focus images on the retina properly. If the curvature of the cornea is incorrect, light passing through it onto the retina is not properly focused and a blurred image results. For many years, eyeglasses and contact lenses were the only solutions for individuals afflicted with common visual impairments; however, they are not always convenient or attractive solutions. Laser refractive surgery offers an alternative to eyeglasses and contact lenses. Excimer lasers, which are low-temperature lasers that remove tissue without burning, are currently used to correct refractive errors by removing small amounts of tissue to reshape the cornea. These lasers remove tissue precisely without the use of heat and without affecting the surrounding tissue. In the LASIK procedure, the surgeon uses either a femtosecond laser or an automated microsurgical instrument, called a microkeratome, to create a thin corneal flap that remains hinged to the eye. The corneal flap is then folded back and excimer laser pulses are applied to the exposed layer of the cornea to change the shape of the cornea. The corneal flap is then returned to its normal position. LASIK has become the most commonly practiced form of laser refractive surgery globally.

Presbyopia

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

Glaucoma

Glaucoma, a group of eye conditions that damage the optic nerve, is the second leading cause of blindness worldwide. While elevated intraocular pressure was historically considered to be synonymous with glaucoma, it is now known that

many patients with glaucoma have normal intraocular pressure. Treating glaucoma is typically aimed at lowering intraocular pressure for patients with normal or elevated pressure.

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

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

Refractive Errors

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

Dry Eye Disease

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

Infections and Contamination due to Inadequate Contact Lens Care

Proper care of contact lenses through compliance with disinfection regimens is important in reducing the risk of infection and irritation associated with the use of reusable contact lenses, as contact lenses are subject to contamination from cosmetics, grease, bacteria, soaps, hand lotions and atmospheric pollutants, and from proteins contained in natural tears. When used properly, contact lens care products remove such contaminants from the surface of the contact lens. In addition, lens rewetting drops may be used to rehydrate the lens during wear and to clear away surface material.

Ocular Allergies

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

Our Products

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

Surgical

We hold the number one position in the global ophthalmic surgical market, offering implantable products, consumables and equipment for use in surgical procedures to address cataracts, vitreoretinal conditions, refractive errors and glaucoma. Our Surgical portfolio includes equipment, instrumentation and diagnostics, IOLs and other implantables and a broad line of consumables, including viscoelastics, surgical solutions, incisional instruments, surgical custom packs and

other products. For the year ended December 31, 2021, net sales for our implantables, consumables and equipment and other surgical products were \$1.5 billion, \$2.4 billion and \$0.8 billion, respectively.

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

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

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



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

In 2013, we launched our *Centurion* vision system for cataract surgery. This system includes Active Fluidics technology, an automated system that optimizes anterior chamber stability by allowing surgeons to proactively set and maintain target IOP within the eye during the cataract removal procedure, thereby delivering an unprecedented level of intraoperative control.

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

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

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

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



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

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

In recent years, presbyopia correction lenses have evolved to include trifocal designs. In 2015, we launched the *AcrySof* IQ *PanOptix* trifocal IOL in select markets outside the US. This novel diffractive optic sends light to three foci to support near, intermediate and distance vision. In 2017, the *AcrySof* IQ *PanOptix* Toric lens was launched in select markets outside the US to address both astigmatism and presbyopia. We launched the *AcrySof* IQ *PanOptix* trifocal IOL in the US and Japan in 2019. We also launched the *AcrySof* IQ *Vivity* non-diffractive extended depth of focus ("EDoF") IOL in Europe and Australia in 2019, in South America in 2020 and in the US in 2021. This optic design allows for extended range of vision and presbyopia correction with the visual disturbance profile of a monofocal IOL.

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

In 2017, we received a European CE Mark for the *Clareon* IOL with the *AutonoMe* delivery system followed by FDA approval in 2020. *AutonoMe* is the first automated, disposable, pre-loaded IOL delivery system that enables precise delivery of the IOL into the capsular bag in patients undergoing cataract surgery. The new device is being introduced with the *Clareon* IOL, a new material with an advanced design that enables sharp, crisp vision, low edge glare and unsurpassed optic clarity.

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

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

Surgical Portfolio Consumables



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

Surgical Portfolio Vitreoretinal Suite



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

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

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

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

Surgical Portfolio Refractive Suite



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

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



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

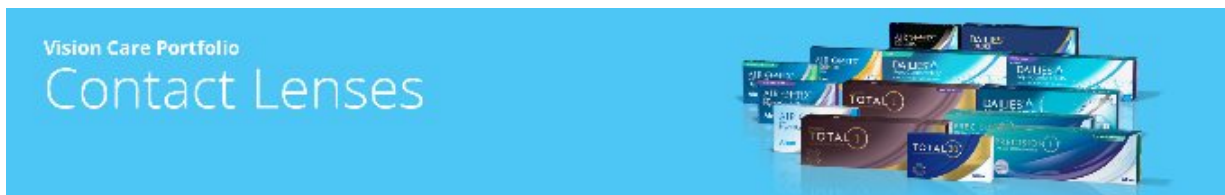
Our *EX-PRESS* glaucoma filtration device is approved and marketed for refractory glaucoma in the US, Europe, Canada, Australia and several other markets. This shunt is implanted under the scleral flap to enhance outflow of aqueous humor and reduce intraocular pressure in patients with open-angle glaucoma. The *EX-PRESS* glaucoma filtration device creates consistent and predictable outcomes when used as part of a trabeculectomy.

Vision Care

Our Vision Care portfolio comprises daily disposable, reusable and color-enhancing contact lenses, as well as a comprehensive portfolio of ocular health products, including products for dry eye, glaucoma, contact lens care and ocular allergies, as well as ocular vitamins and redness relievers. For the year ended December 31, 2021, net sales of our contact lens and ocular health products were \$2.1 billion and \$1.4 billion, respectively.

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

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



Alcon is the number two company in the branded contact lens market based on market share in 2021. This position is driven largely by our core brands *TOTAL*, *PRECISION*, *DAILIES AquaComfort PLUS* and *Air Optix*.

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

PRECISION1, our new mainstream daily disposable silicone-hydrogel ("SiHy") lens with aqueous extraction and surface treatment, is priced in between the super-premium *DAILIES TOTAL1* and the more value-conscious *DAILIES AquaComfort PLUS*. *PRECISION1* is designed for long lasting performance and delivers precise vision, dependable comfort and ease of handling. Following a successful introduction of *PRECISION1* spherical lenses, we introduced *PRECISION1* for Astigmatism, a toric lens designed for astigmatic patients. In the US and EU, *PRECISION1* for Astigmatism features the *PRECISION BALANCE*

8|4 lens design for a stable lens-wearing experience. Studies show that 47% of patients have astigmatism that needs correction, but less than 15% wear toric contact lenses. As a result, we believe the launch of *PRECISION1* for Astigmatism provides a significant opportunity to attract new contact lens wearers and maximize retention.

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

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

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



Our key brands in our ocular health portfolio include the *Systane* family of artificial tear and related dry eye products, including the *Systane iLux* MGD thermal pulsation system, *Pataday* family of eye allergy products, as well as the *Opti-Free* and *Clear Care* lines of multi-purpose and hydrogen peroxide disinfecting solutions, respectively. Select ocular health products include artificial tear and related dry eye products marketed under the *Tears Naturale* and *Genteal* brands, *Naphcon-A* and *Zaditor* eye drops for the temporary relief of ocular itching due to allergies and vitamins for ocular health marketed under the *ICAPS* and *Vitalux* brands.

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

In 2020, we successfully switched from prescription to over-the-counter the *Pataday* family of allergy relief eye drops. *Pataday* Twice Daily Relief and *Pataday* Once Daily Relief eye drops were approved by the FDA and launched in the US in 2020. *Pataday* Once Daily Extra Strength was approved in 2020 and launched in 2021. The *Pataday* brand contains olopatadine, the number one doctor-prescribed active ingredient for eye allergy relief.

In 2021, we acquired exclusive US commercialization rights to *Simbrinza*, a fixed combination of a carbonic anhydrase inhibitor and an alpha-2 adrenergic receptor agonist indicated for the reduction of elevated intraocular pressure ("IOP") in patients with open-angle glaucoma or ocular hypertension. We believe that the acquisition of *Simbrinza*, combined with our existing over-the-counter ("OTC") eye drops, gives us a strong ophthalmic eye drop portfolio and the opportunity to capitalize on both the large glaucoma market and the fast-growing dry eye preservative free and eye allergy markets.

Alcon is also a market leader in contact lens care in both multi-purpose (*Opti-Free PureMoist*) and hydrogen peroxide solutions (*Clear Care* and *AOSEPT PLUS*). The vast majority of our contact lens care products are comprised of disinfecting solutions to remove harmful micro-organisms on contact lenses, with a smaller amount of sales coming from contact lens rewetting drops to improve wearing comfort for contact lenses. We benefit from strong synergies between our contact lens business and our contact lens care products, and we expect to see our contact lens solution sales benefit from the launch of our new *TOTAL30* reusable lenses.

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

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

Principal Markets

Alcon serves consumers and patients in over 140 countries worldwide. The US is our largest market with 44% of our net sales in 2021, see Note 5. Segment information to the Consolidated Financial Statements for net sales by geography. US sales of the vast majority of our products are not subject to material changes in seasonal demand; however, sales of certain of our vision care products, including those for allergies and dry eye, are subject to seasonal variation. In addition, sales of our surgical equipment are also subject to variation based on hospital or clinic purchasing cycles.

Research and Development

Alcon has made one of the largest commitments to research and development in the eye care market, with proven research and development capabilities in the areas of optical design, material and surface chemistry, automation and equipment platforms. Currently, our research and development organization employs over 1,400 individuals dedicated to our research and development efforts, including physicians, doctors of optometry and PhDs. Our researchers have extensive experience in the field of ophthalmology and frequently have academic or practitioner backgrounds to complement their product development expertise.

We organize cross-functional development teams to drive new innovations to our customers and our patients around the world. New projects for our Surgical and Vision Care pipelines originate either from concepts developed internally by staff scientists and engineers, ideas from eye care professionals, or through strategic partnerships with academic institutions or other companies. We have designed our research and development organization to achieve global registration of products through the efforts of a global clinical and regulatory affairs organization.

We invested approximately \$842 million, \$673 million and \$656 million in research and development in 2021, 2020 and 2019, respectively. In addition to our in-house research and development capabilities, as part of our efforts to pursue strategic research and development partnerships with third parties, our dedicated business development team has completed over 35 BD&L transactions since 2017. In addition, in 2021, we announced the launch of our first application, SMARTCataract, to our digital health platform, SMART Solutions, which leverages the open, cloud-based infrastructure and services of Philips HealthSuite. We believe that this new platform furthers our leadership in clinic-to-operating room (OR) integration with image-guided technologies and cloud-based planning. We continually review and refine our operating model to optimize for efficiency and productivity. Across our Surgical and Vision Care pipelines, we have more than 100+ pipeline projects in process as of December 31, 2021, including 30 that have achieved positive proof of concept or are undergoing regulatory review.

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

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

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

We continue to seek opportunities to collaborate with third parties on advanced technologies for various ophthalmic conditions. These include the potential to provide accommodative contact and intraocular lenses for patients living with presbyopia.

Marketing and Sales

Alcon conducts sales and marketing activities throughout the world. During the year ended December 31, 2021, 44% of our sales were in the US. We are present in every significant market in the world where ophthalmology and optometry are practiced, with operations in 60 countries supported by over 3,500 associates dedicated to direct sales and with products sold in over 140 countries.

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

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

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

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

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

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

While we market all of our products by calling on medical professionals, direct customers and distribution methods differ across our business lines. Surgical products are sold directly to hospitals and ambulatory surgical centers, although we sell through distributors in certain markets outside the US where we do not have local operations or a scientific office. In many countries, contact lenses are available only by prescription. Our contact lenses can be purchased from eye care professionals, optical chains and large retailers, subject to country regulation. Our ocular health products can be found in major drugstores, pharmacies, food stores and mass merchandising and optical retail chains globally, with access subject to country regulations, including free-sale, pharmacy-only and prescription regulations. No single customer accounted for more than 10% of our global sales in 2021.

Manufacturing, Quality and Supplies

Manufacturing

We generally organize our manufacturing facilities along product categories, with most plants being primarily dedicated to the manufacture of either our Surgical or Vision Care product offerings. As of December 2021, we employed approximately 4,000 people to manufacture surgical products at 10 facilities in the US, Belgium, Switzerland, Ireland, Germany and Israel and approximately 5,500 people to manufacture Vision Care products at eight facilities in the US, Germany, Singapore, Malaysia and Indonesia. Our functional division of plants reflects the unique differences in regulatory requirements governing the production of surgical medical devices as well as the different technical skills required of associates in these manufacturing environments. All of our manufacturing plants are ISO 13485:2016 and ISO 14001:2015 certified. Currently, we manufacture approximately 90% of our products internally and rely on third-party manufacturers for a limited number of products.

The goal of our supply chain strategy is to efficiently produce and distribute high quality products. To that end, we employ cost-reduction programs, known as continuous improvement programs, involving activities such as cycle-time reductions, efficiency improvements, automation, plant consolidations and procurement savings programs as a means to reduce manufacturing and component costs. To comply with good manufacturing practices and to improve the skills of our associates, we train our direct labor manufacturing staff throughout the year. Our professional associates are trained in various aspects of management, regulatory and technical issues through a combination of in-house seminars, local university classes and trade meetings.

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

Quality

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

Supplies

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

Human Capital Management

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

Intellectual Property

We strive to protect our investment in the research, development, manufacturing and marketing of our products through the use of patents, trademarks, copyrights, trade secrets and other intellectual property. We own or have rights to a number of patents, trademarks, copyrights, trade secrets and other intellectual property directly related and important to our businesses. As of December 31, 2021, we owned approximately 1,900 patent families.

We believe that our patents are important to our business but that no single patent, or group of related patents, currently is of material importance in relation to our business as a whole. Our strategy is to develop patent portfolios for our research and development projects in order to obtain market exclusivity for the innovative features of our products in our major markets. The scope and duration of protection provided by a patent can vary significantly from country to country. However, even after the expiration of all patents covering a product, we may continue to derive commercial benefits from such product.

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

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

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

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

Competition

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

Surgical

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

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

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

- disruptive product technology;

- alternative treatment modalities;
- breadth of product lines and product services;
- ability to identify new market trends;
- acceptance by ophthalmic surgeons;
- customer and clinical support;
- regulatory status and speed to market;
- price;
- product quality, reliability and performance;
- capacity to recruit engineers, scientists and other qualified associates;
- digital initiatives that change business models;
- reimbursement approval from governmental payors and private healthcare insurance providers; and
- reputation for technical leadership.

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

Vision Care

The vision care market is also highly competitive, and our primary competitors are Johnson & Johnson, Bausch Health Companies, Inc. and The Cooper Companies, Inc. Allergan, Inc. is a competitor in ocular health.

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

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

Government Regulation

Overview

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

Product Approval and Monitoring

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

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

The EU published a new Medical Device Regulation in 2017 which will impose significant additional requirements on medical device manufacturers, including with respect to clinical development, labeling, technical documentation and quality management systems. The regulation has a three-year implementation period. Medical devices placed on the market in the EU after May 2021 will require certification according to these new requirements, except that devices with valid CE certificates, issued pursuant to the Medical Device Directives before May 2022, can be placed on the market until those certificates expire, at the latest in May 2025, provided there are no significant changes in the design or intended purpose of the device.

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

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

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

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

Price Controls

The prices of our medical devices and drugs that require prescriptions or are reimbursed through payments to providers for services using our devices or drugs are subject to reimbursement programs and price control mechanisms that vary from country to country. Due to increasing political pressure and governmental budget constraints, we expect these programs and mechanisms to remain robust and to potentially even be strengthened or expanded. As a result, such programs and mechanisms could have a negative influence on the prices we are able to charge for our products, particularly those used in cataract, vitreoretinal and glaucoma surgeries.

Regulations Governing Reimbursement

In the US, patient access to our drug and device products that require a prescription or are included in provider service payments is determined in large part by the coverage and reimbursement policies of third-party health insurers, including government programs such as Medicare and Medicaid. Both government and commercial health insurers are increasingly focused on containing health care costs and have imposed, and are continuing to consider, additional measures that exert downward pressure on device and drug prices. Outside the US, global trends toward cost-containment measures likewise may influence prices for our healthcare products in those countries. Adverse decisions relating to either coverage for our products or the amount of reimbursement for our products, could significantly reduce the demand for our products and the prices that our customers are willing to pay for them.

Health Care Fraud and Abuse; Anti-Bribery

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

Data Privacy and Cybersecurity

The regulation of data privacy and security, and the protection of the confidentiality of certain personal information (including patient health information and financial information), is increasing. For example, the EU General Data Protection Regulation contains enhanced financial penalties for noncompliance. Similarly, the US Department of Health and Human Services has issued rules governing the use, disclosure and security of protected health information, and the FDA has issued further guidance concerning cybersecurity for medical devices.

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

Trade Regulation

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

In addition to our need to comply with such regulations in connection with our direct activities, we also sell and provide goods, technology and services to agents, representatives and distributors who may export such items to customers and end-users. Failure by us or the third parties through which we do business to comply with applicable import, export control or economic sanctions laws and regulations may subject us to civil or criminal enforcement action and varying degrees of liability.

4.C. ORGANIZATIONAL STRUCTURE

Organizational Structure

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

Significant Subsidiaries

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

4.D. PROPERTY, PLANTS AND EQUIPMENT

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

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

Major Facilities

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

Location	Size of Site (in m ²)	Major Activity
Fort Worth, Texas	315,200	Production, research and development for Surgical and Vision Care businesses
Johns Creek, Georgia	84,825	Production, research and development for Vision Care business
Grosswallstadt, Germany	82,300	Production, research and development for Vision Care business
Singapore	69,000	Production for Vision Care business
Johor, Malaysia	43,900	Production for Vision Care business
Irvine, California	40,800	Production, research and development for Surgical business
Houston, Texas	37,400	Production for Surgical business
Batam, Indonesia	35,000	Production for Vision Care business
Huntington, West Virginia	27,500	Production for Surgical business
Sinking Spring, Pennsylvania	21,800	Production for Surgical business
Cork, Ireland	13,600	Production for Surgical business
Erlangen/Pressath/Teltow, Germany	10,700	Production, research and development for Vision Care business
Puurs, Belgium	8,000	Production for Surgical business
Schaffhausen, Switzerland	4,100	Production for Surgical business

In March 2018, we commenced the second phase of expansion of our Grosswallstadt, Germany facility relating to the production of contact lenses. The project was completed in mid-2021 and incurred total costs of \$449 million. In August

2021, an additional expansion project was approved to add three additional contact lens production lines for an anticipated cost of \$162 million. Through December 31, 2021, the total amount paid and committed was approximately \$114 million. We expect to complete the project by the end of 2023.

In April 2021, we launched a further expansion of our Singapore facility to add four additional production lines for contact lenses. We expect to incur costs of \$188 million. Through December 31, 2021, the total amount paid and committed was approximately \$152 million. We approved a further expansion in late 2021 to add three additional production lines and a new building for an expected cost of \$280.1 million. Through December 31, 2021, the total amount paid and committed for this additional expansion was approximately \$74 million. We expect to complete the entire project by October 2024.

In September 2019, we launched an expansion of our Johns Creek, Georgia facility to add four production lines for contact lenses. This project is ongoing and was expanded in 2020. We expect to pay a total amount of approximately \$224 million on this project. Through December 31, 2021, the total amount paid and committed was approximately \$213 million. In 2021, we launched an additional expansion to add two more production lines for contact lenses for \$148 million. Through December 31, 2021, the total amount paid and committed was approximately \$108 million. We expect to complete the project by mid-2023. Also, in late 2021, we approved an additional expansion to add one more production line for contact lenses. This additional expansion is expected to cost approximately \$73.2 million and be completed by mid-2024. Through December 31, 2021, the total amount paid and committed was approximately \$19 million.

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

Environmental Matters

We integrate core values of environmental protection into our business strategy to protect the environment, to add value to the business, manage risk and enhance our reputation.

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

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

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5.A. OPERATING RESULTS

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

Overview

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

We are dedicated to providing innovative products that enhance quality of life by helping people see better. Our strong foundation is based on our longstanding success as a trusted brand, our legacy of industry firsts and advancements, our leading positions in the markets in which we compete and our continued commitment to substantial investment in innovation. With more than 75 years of history in the ophthalmic industry, we believe the Alcon brand name is synonymous with innovation, quality, service and leadership among eye care professionals worldwide. We employ over 24,000 associates from more than 100 nationalities, operating in 60 countries and serving consumers and patients in over 140 countries.

In 2021, Alcon's net sales to third parties amounted to \$8.2 billion. The United States accounted for \$3.7 billion, or 44%, of total net sales, Japan accounted for \$0.6 billion, or 8%, of total net sales, China accounted for \$0.5 billion or 6%, of total net sales, Switzerland accounted for \$60 million, or 1%, of total net sales, and the rest of the world accounted for the remaining \$3.4 billion of total net sales.

Basis of preparation

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

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

The businesses of Alcon did not form a separate legal group of companies prior to the Spin-off in 2019. For the period in 2019 prior to the Spin-off, the financial statements were prepared on a combined basis for carve-out financial statements and were derived from Novartis' Consolidated Financial Statements and accounting records, which were prepared in accordance with IFRS.

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

Items you should consider when evaluating our Consolidated Financial Statements

COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic. The pandemic triggered widespread shelter-in-place orders, business shutdowns and the deferral of non-urgent surgical procedures. Outbreaks of COVID-19 cases continued to occur in 2021 and localized responses remain unpredictable. The COVID-19 pandemic continued to have an impact on our financial results and operations in 2021, and it 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.

Use of estimates and assumptions

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, due to the unknown future impacts of the ongoing COVID-19 pandemic, actual outcomes and results could differ from those estimates and assumptions as indicated in the "Critical accounting policies and estimates" section of this document. See Note 3 to the Consolidated Financial Statements included elsewhere in this Annual Report and in the "Critical accounting policies and estimates" section within this Item 5.A.

Segment description

Alcon has two identified reportable segments: Surgical and Vision Care. Both segments are supported by Research and Development and Manufacturing and Technical Operations, whose results are incorporated into the respective segment contribution. Segment contribution excludes amortization and impairment charges for acquired product rights or other intangibles, general and administrative expenses for corporate activities, spin readiness and separation costs, transformation costs, fair value adjustments of contingent consideration liabilities, past service costs primarily for post-employment benefit plan amendments, and certain other income and expense items. See Note 5 to the Consolidated Financial Statements included elsewhere in this Annual Report.

In Surgical, Alcon researches, develops, manufactures, distributes and sells ophthalmic products for cataract surgery, vitreoretinal surgery, refractive laser surgery and glaucoma surgery. The surgical portfolio also includes implantables, consumables and surgical equipment required for these procedures and supports the end-to-end procedure needs of the ophthalmic surgeon. Alcon also provides services, training, education and technical support for the Surgical business. In 2021, the Surgical segment accounted for \$4.7 billion, or 57%, of Alcon net sales to third parties, and contributed \$1.2 billion, or 66%, of Alcon operating income (excluding unallocated income and expenses).

In Vision Care, Alcon researches, develops, manufactures, distributes and sells daily disposable, reusable, and color-enhancing contact lenses and a comprehensive portfolio of ocular health products, including products for dry eye, glaucoma, contact lens care and ocular allergies, as well as ocular vitamins and redness relievers. Alcon also provides services, training, education and technical support for the Vision Care business. In 2021, the Vision Care segment accounted for \$3.5 billion, or 43%, of Alcon net sales to third parties, and contributed \$604 million, or 34%, of Alcon operating income (excluding unallocated income and expenses).

Opportunity and risk summary

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

The surgical market in which we operate includes sales of implantables, consumables and surgical equipment, including associated technical, clinical and service support and training, and is projected to grow mid-single digits per year from 2021 to 2026. Growth drivers in the surgical market include: global growth of cataract and vitreoretinal procedures, driven by an aging population; increased access to care; higher uptake of premium patient-pay technologies; increased adoption of advanced technologies; and eye disease as a comorbidity linked to the global prevalence of diabetes.

The vision care market in which we operate is comprised of products designed for ocular care and consumer use, and is projected to grow mid-single digits per year from 2021 to 2026. Growth drivers in the vision care market include: better contact lens material, improved health and comfort and enhanced visual acuity; a significant population of approximately

194 million undiagnosed dry eye patients, with an additional 42 million self-diagnosed dry eye patients using unsuitable products for treatment; growing access and consumption of vision care products in emerging markets; and increasing consumer access through the expansion of distribution models.

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

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

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

Further, our ability to grow depends on the commercial success of our products and our ability to maintain our position in the highly competitive markets in which we operate. Our ability to grow also depends on the success of our research and development efforts and BD&L activities in bringing new products to market, as well as the commercial acceptance of our products. The effect of a disruption in our global supply chain or important facilities and the COVID-19 pandemic (or other viral or disease outbreaks) would further impact our business.

Even if we protect our intellectual property to the fullest extent permitted by applicable law, competitors may market products that compete with our products. Increased pricing pressure in the healthcare industry in general as well as industry consolidation could also impact our ability to generate returns and invest for the future. Additionally, our products are subject to competition from lower priced versions of our products, and our industry continues to be challenged by the vulnerability of distribution channels to counterfeiting. Product recalls or voluntary market withdrawals in connection with defects or unanticipated use of our products could also have a material adverse effect upon our business. We are also implementing new information technology systems and integrating those new systems into our legacy systems, which could have a material adverse effect upon our business if we are unsuccessful in the implementation. We have incurred debt that we must continue to service, and we may need additional financing in debt or equity.

We also may be adversely affected by changes in inventory levels or fluctuations in buying patterns by our large distributor and retail customers. If we overestimate demand and produce too much of a particular product, we face a risk of inventory obsolescence. In addition, for certain materials, components and services, we rely on sole or limited sources of supply. Our customer relations could be negatively impacted by the loss of our significant suppliers or the inability of any such supplier to meet certain specifications or delivery schedules. Further, we have developed strong relationships with numerous healthcare providers and rely on them to recommend our products to their patients and to other members of their organizations. Consumers in the eye health industry have a tendency not to switch products regularly and are repeat consumers, meaning that a physician's initial recommendation of our products, and a consumer's initial choice to use our products, have an impact on the success of our products. Therefore, it is important to our business and results of operations to retain and grow these relationships.

Given our global presence, our operations and business results are also influenced and affected by the global economic and financial environment, including unpredictable political conditions that currently exist in various parts of the world. Additionally, a portion of our operations are conducted in emerging markets and are subject to risks and potential costs such as economic, political and social uncertainty, as well as relatively low average income levels and limited government reimbursement for the cost of healthcare products and services. Our operations and business results are also affected by

the varying degrees of governmental regulation in the countries in which we operate, making the process of developing new products and obtaining necessary regulatory marketing authorization lengthy, expensive and uncertain. The manufacture of our products is also highly regulated. Any changes or new requirements related to the regulatory approval process or postmarket requirements applicable to our products in any jurisdiction could be costly and onerous to comply with.

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

Components of results of operations

Net sales to third parties

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

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

Other revenues

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

Inventories

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

Research & development

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

Critical accounting policies and estimates

Selected accounting policies are set out in Note 3 to the Consolidated Financial Statements included elsewhere in this Annual Report, which are prepared in accordance with IFRS as issued by the IASB.

Given the uncertainties inherent in our business activities, we must make certain estimates and assumptions that require difficult, subjective and complex judgments. Because of uncertainties inherent in such judgments, actual outcomes and results may differ from our assumptions and estimates, which could materially affect our Consolidated Financial Statements. We have assessed various accounting estimates and other matters, including those that require consideration of forecasted financial information, in context of the unknown future impacts of COVID-19 using information reasonably available to us at this time. The inherent uncertainties of COVID-19 including the duration, scope, and severity of the pandemic may result in actual outcomes that differ materially from our current assumptions and estimates.

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

Impairment of goodwill and intangible assets

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

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

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

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

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

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

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

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

For additional information on intangible assets and impairment charges recognized, see Note 10 to the Consolidated Financial Statements included elsewhere in this Annual Report.

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

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill, or directly in the income statement if it is a bargain purchase. Alcon primarily uses net present value techniques, utilizing post-tax cash flows and discount rates in calculating the fair value of identifiable assets acquired when allocating the purchase consideration paid for the acquisition. The

estimates used in calculating fair values involve significant judgment by management and include assumptions with measurement uncertainty, such as the following:

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

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

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

Contingent consideration

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

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

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

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

Taxes

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

Research & development

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

Factors affecting comparability of period to period results of operations

The comparability of the period to period results of our operations can be significantly affected by the COVID-19 pandemic, our Spin-off from Novartis, the issuance and refinancing of financial debts and acquisitions. Our net sales, operating results and cash flows in 2021 and 2020 were adversely affected by COVID-19. Additionally, in 2021 we acquired the US commercialization rights of *Simbrinza*. In 2020, one transaction of significance was the issuance of senior notes due in 2030. The transactions of significance during 2019 included the acquisition of PowerVision, Inc., Spin-off from Novartis through a dividend in kind distribution to Novartis shareholders, and refinancing of the bridge and term loans which had been issued in April 2019. Refer to Note 4 to the Consolidated Financial Statements for details related to each of these significant transactions.

Results of operations

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

Key figures

(\$ millions unless indicated otherwise)	2021 compared to 2020				2020 compared to 2019		
	2021	2020	Change %		2019	Change %	
			\$	cc ⁽¹⁾		\$	cc ⁽¹⁾
Net sales to third parties	8,222	6,763	22	20	7,362	(8)	(8)
Gross profit	4,652	2,940	58	56	3,662	(20)	(19)
Operating income/(loss)	580	(482)	nm	nm	(187)	(158)	(138)
Operating margin (%)	7.1	(7.1)			(2.5)		
Net income/(loss)	376	(531)	nm	nm	(656)	19	24
Basic earnings/(loss) per share (\$)	0.77	(1.09)	nm	nm	(1.34)	19	24
Diluted earnings/(loss) per share (\$)	0.76	(1.09)	nm	nm	(1.34)	19	24
Core results⁽¹⁾							
Core operating income	1,443	789	83	78	1,265	(38)	(35)
Core operating margin (%)	17.6	11.7			17.2		
Core net income	1,063	512	108	102	925	(45)	(42)
Core basic earnings per share (\$)	2.17	1.05	107	101	1.89	(44)	(42)
Core diluted earnings per share (\$)	2.15	1.04	107	101	1.89	(45)	(42)

nm = not meaningful

(1) Core results and constant currencies (cc) as presented in this table are non-IFRS measures. Alcon uses certain non-IFRS metrics when measuring performance, including when measuring current period results against prior periods. Refer to "Item 5.A. Operating Results—Supplementary Information—Definitions and Reconciliations of Non-IFRS Measures" section for additional information and reconciliation tables.

All comments below focus on constant currencies (cc) movements for the year ended December 31, 2021 compared to 2020 unless otherwise noted. Commentary for the year ended December 31, 2020 compared to 2019 may be found in Item 5 of the Company's Annual Report on Form 20-F filed with the Securities and Exchange Commission ("SEC") on February 23, 2021 ("2020 Form 20-F").

Net sales by segment

(\$ millions unless indicated otherwise)	2021 compared to 2020				2020 compared to 2019		
	2021	2020	Change %		2019	Change %	
			\$	cc ⁽¹⁾		\$	cc ⁽¹⁾
Surgical							
Implantables	1,522	1,126	35	34	1,210	(7)	(6)
Consumables	2,388	1,952	22	21	2,304	(15)	(15)
Equipment/other	793	632	25	24	660	(4)	(3)
Total Surgical	4,703	3,710	27	25	4,174	(11)	(11)
Vision Care							
Contact lenses	2,139	1,838	16	15	1,969	(7)	(7)
Ocular health	1,380	1,215	14	12	1,219	—	1
Total Vision Care	3,519	3,053	15	14	3,188	(4)	(4)
Net sales to third parties	8,222	6,763	22	20	7,362	(8)	(8)

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

Surgical

Surgical net sales were \$4.7 billion (+27%, +25% cc), with increases in all three categories as sales in the prior year period were heavily impacted by COVID-19. Market improvements in the current year reflect strong recovery in the United States with varied paces of recovery in international markets. Implantables net sales increased (+35%, +34% cc), reflecting market improvements and ongoing adoption of advanced technology intraocular lenses, including the launch of *Vivity* and continued demand for *PanOptix*. Consumables net sales increased (+22%, +21% cc), primarily due to market improvements over the prior year period. Equipment/other net sales increased (+25%, +24% cc), primarily driven by demand for cataract and refractive equipment and other refractive products.

Vision Care

Vision Care net sales were \$3.5 billion (+15%, +14% cc), with increases in both categories as sales in the prior year were heavily impacted by COVID-19. Contact lenses net sales increased (+16%, +15% cc), reflecting strong recovery in the United States with varied paces of recovery in international markets and growth in silicone hydrogel daily contact lenses including *Precision1*, *Precision1* for Astigmatism and *Dailies Total1*. Ocular health net sales increased (+14%, +12% cc), led by *Systane*, growth of *Pataday*, primarily due to the recent launch of *Pataday* Extra Strength, and sales of *Simbrinza* following our recent acquisition of the US commercialization rights.

Operating income/(loss)

(\$ millions unless indicated otherwise)	2021 compared to 2020				2020 compared to 2019		
	2021	2020	Change %		2019	Change %	
			\$	cc ⁽¹⁾		\$	cc ⁽¹⁾
Gross profit	4,652	2,940	58	56	3,662	(20)	(19)
Selling, general & administration	(3,076)	(2,694)	(14)	(13)	(2,847)	5	5
Research & development	(842)	(673)	(25)	(25)	(656)	(3)	(3)
Other income	43	235	(82)	(82)	55	nm	nm
Other expense	(197)	(290)	32	33	(401)	28	28
Operating income/(loss)	580	(482)	nm	nm	(187)	(158)	(138)
Operating margin (%)	7.1	(7.1)			(2.5)		
Core results⁽¹⁾							
Core gross profit	5,216	4,092	27	26	4,663	(12)	(12)
Core operating income	1,443	789	83	78	1,265	(38)	(35)
Core operating margin (%)	17.6	11.7			17.2		

nm = not meaningful

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

Operating income was \$580 million, compared to a \$482 million loss in the prior year period which was heavily impacted by COVID-19. Higher sales, lower amortization for intangible assets as certain intangible assets have become fully amortized and lower separation costs were partially offset by higher marketing and selling expenses to support higher sales as markets recover and to support new product launches, increased investment in research and development, higher associate short-term incentive benefits in line with company performance, higher intangible asset impairments and an increase in legal items. The prior year period was impacted by unabsorbed fixed overhead costs and labor inefficiencies of \$120 million and increased provisions for expected credit losses due to COVID-19, increased inventory provisions and losses for manufacturing asset retirements. The prior year period benefited from a \$154 million net gain on post-employment benefit plan amendments and a gain relating to an extinguishment of certain potential liabilities under the employee matters agreement executed at Spin-off. There was a positive 0.4 percentage point impact on operating margin from currency.

Adjustments to arrive at core operating income in the current year were \$863 million, mainly due to \$529 million of amortization, \$225 million in impairments of intangible assets, \$68 million of transformation program costs, an increase of \$50 million in legal items and \$36 million of separation costs, partially offset by a \$42 million benefit from fair value adjustments of contingent liabilities. Adjustments to arrive at core operating income in the prior year period were \$1.3 billion, mainly due to \$1.0 billion of amortization, \$217 million of separation costs, \$167 million in impairments of intangible assets and \$49 million of transformation program costs, partially offset by a \$154 million net gain on post-employment benefit plan amendments and a \$63 million benefit from fair value adjustments to contingent liabilities.

Core operating income was \$1.4 billion (+83%, +78% cc), compared to \$789 million in the prior year period which was heavily impacted by COVID-19. Higher sales were partially offset by higher marketing and selling expenses to support higher sales as markets recover and to support new product launches, increased investment in research and development and higher associate short-term incentive benefits. The prior year period was impacted by unabsorbed fixed overhead costs and labor inefficiencies of \$120 million and provisions for expected credit losses due to COVID-19 and higher inventory provisions. There was a positive 0.3 percentage point impact on core operating margin from currency.

Segment contribution

For additional information regarding segment contribution, please refer to Note 5 to the Consolidated Financial Statements.

(\$ millions unless indicated otherwise)	2021 compared to 2020				2020 compared to 2019		
	2021	2020	Change %		2019	Change %	
			\$	cc ⁽¹⁾		\$	cc ⁽¹⁾
Surgical segment contribution	1,184	672	76	72	957	(30)	(28)
<i>As % of net sales</i>	25.2	18.1			22.9		
Vision Care segment contribution	604	419	44	41	580	(28)	(25)
<i>As % of net sales</i>	17.2	13.7			18.2		
Not allocated to segments	(1,208)	(1,573)	23	23	(1,724)	9	9
Operating income/(loss)	580	(482)	nm	nm	(187)	(158)	(138)
Core adjustments ⁽¹⁾	863	1,271			1,452		
Core operating income⁽¹⁾	1,443	789	83	78	1,265	(38)	(35)

nm = not meaningful

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

Surgical

Surgical segment contribution was \$1.2 billion (+76%, +72% cc), compared to \$672 million in the prior year period which was impacted by COVID-19. Segment contribution margin increased with improved operating leverage from higher sales, partially offset by higher associate short-term incentive benefits. The prior year period segment contribution margin was impacted by unabsorbed fixed overhead costs and labor inefficiencies and increased provisions for expected credit losses due to COVID-19. There was a positive 0.3 percentage point impact on segment contribution margin from currency.

Vision Care

Vision Care segment contribution was \$604 million (+44%, +41% cc), compared to \$419 million in the prior year period which was impacted by COVID-19. Segment contribution margin increased with improved operating leverage from higher sales, partially offset by higher marketing and selling expenses, including support for new product launches and key products, and higher associate short-term incentive benefits. Gross margin in the prior year period was impacted by unabsorbed fixed overhead costs and labor inefficiencies due to COVID-19 and higher inventory provisions. There was a positive 0.2 percentage point impact on segment contribution margin from currency.

Not allocated to segments

Operating loss not allocated to segments totaled \$1.2 billion (+23%, +23% cc), compared to \$1.6 billion in the prior year period. The decrease in amounts not allocated was primarily driven by lower amortization and separation costs in the current year period, partially offset by higher intangible asset impairments and an increase in legal items. The prior year period also included a benefit from a net gain on post-employment benefit plan amendments.

Non-operating income & expense

(\$ millions unless indicated otherwise)	2021 compared to 2020				2020 compared to 2019		
			Change %				Change %
	2021	2020	\$	cc ⁽¹⁾	2019	\$	cc ⁽¹⁾
Operating income/(loss)	580	(482)	nm	nm	(187)	(158)	(138)
Interest expense	(120)	(124)	3	3	(113)	(10)	(11)
Other financial income & expense	(42)	(29)	(45)	(41)	(32)	9	6
Income/(loss) before taxes	418	(635)	nm	nm	(332)	(91)	(81)
Taxes	(42)	104	nm	nm	(324)	nm	nm
Net income/(loss)	376	(531)	nm	nm	(656)	19	24
Basic earnings/(loss) per share (\$)	0.77	(1.09)	nm	nm	(1.34)	19	24
Diluted earnings/(loss) per share (\$)	0.76	(1.09)	nm	nm	(1.34)	19	24
Core results⁽¹⁾							
Core taxes	(218)	(124)	(76)	(72)	(195)	36	34
Core net income	1,063	512	108	102	925	(45)	(42)
Core basic earnings per share (\$)	2.17	1.05	107	101	1.89	(44)	(42)
Core diluted earnings per share (\$)	2.15	1.04	107	101	1.89	(45)	(42)

nm = not meaningful

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

Interest expense

Interest expense was \$120 million, compared with \$124 million in the prior year period. The current year period had more favorable interest rates and lower interest expense from discounting of long-term contingent consideration liabilities, partially offset by interest for the senior notes issued in May 2020.

Other financial income & expense

Other financial income & expense, consisting primarily of hedging costs and foreign currency exchange gains and losses, was a net expense of \$42 million, compared with \$29 million in the prior year period.

Taxes

Tax expense was \$42 million, compared to a tax benefit of \$104 million in the prior year period, primarily due to profitability in the current period compared to the prior period loss. The current period tax expense benefited from the pre-tax loss in the United States, which includes an impairment of intangible assets and legal items, partially offset by pre-tax income in other jurisdictions. The current period was also impacted by a benefit associated with an agreement for the deductibility of a statutory expense in Switzerland related to fiscal year 2021. 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 \$176 million, compared to \$228 million in the prior year with the impact in both periods primarily driven by tax associated with operating income core adjustments.

Core tax expense was \$218 million, compared to \$124 million in the prior year period. The average core tax rate was 17.0% compared to 19.5% in the prior year period, primarily due to a favorable mix of pre-tax income/(loss) across geographical tax jurisdictions and a benefit associated with an agreement for the deductibility of a statutory expense in Switzerland.

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

Net income was \$376 million, compared to a net loss of \$531 million in the prior year period. The change was mainly attributable to the current year period operating income compared to the prior year period operating loss, partially offset by the tax expense in the current period compared to the prior period tax benefit. The associated basic and diluted earnings per share were \$0.77 and \$0.76, respectively, compared to basic and diluted loss per share of \$1.09 in the prior year period.

Core net income was \$1.1 billion, compared to \$512 million in the prior year period, primarily due to higher core operating income, partially offset by core tax expense. The associated core basic earnings per share were \$2.17 compared to \$1.05 in the prior year period, and core diluted earnings per share were \$2.15 compared to \$1.04 in the prior year period.

Effects of currency fluctuations

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

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

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

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

The hyperinflationary economies in which we operate are Argentina and Venezuela which were both hyperinflationary for all years presented. Refer to Note 3 to the Consolidated Financial Statements included elsewhere in this Annual Report for additional information.

Foreign exchange rates for foreign currency translation

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

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

(\$ per unit unless indicated otherwise)	Average for year			As of December 31		
	2020	2019	Change %	2020	2019	Change %
AUD	0.690	0.695	(1)	0.771	0.701	10
BRL	0.196	0.254	(23)	0.193	0.249	(22)
CAD	0.746	0.754	(1)	0.784	0.767	2
CHF	1.066	1.006	6	1.135	1.032	10
CNY	0.145	0.145	—	0.153	0.144	6
EUR	1.141	1.120	2	1.229	1.121	10
GBP	1.284	1.277	1	1.365	1.313	4
JPY (100)	0.937	0.917	2	0.970	0.920	5
RUB (100)	1.390	1.546	(10)	1.337	1.613	(17)

The following table shows information concerning the rate of exchange of US dollar per Swiss franc based on exchange rate information found on Bloomberg Market System. The exchange rate in effect on February 10, 2022 as found on Bloomberg Market System was CHF 1.00 = USD 1.08.

(\$ per CHF)	Low ⁽¹⁾	High ⁽¹⁾
January 2021	1.12	1.13
February 2021	1.10	1.11
March 2021	1.06	1.06
April 2021	1.09	1.10
May 2021	1.11	1.12
June 2021	1.08	1.09
July 2021	1.10	1.11
August 2021	1.09	1.10
September 2021	1.07	1.07
October 2021	1.09	1.10
November 2021	1.08	1.09
December 2021	1.09	1.10
January 2022	1.07	1.08
February 2022 (through February 10, 2022)	1.08	1.08

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

Currency impact on key figures

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

	2021 compared to 2020			2020 compared to 2019		
	Change %		Percentage point currency impact	Change %		Percentage point currency impact
	\$	cc ⁽¹⁾		\$	cc ⁽¹⁾	
Net sales to third parties	22	20	2	(8)	(8)	—
Gross profit	58	56	2	(20)	(19)	(1)
Operating income/(loss)	nm	nm	nm	(158)	(138)	(20)
Net income/(loss)	nm	nm	nm	19	24	(5)
Basic earnings/(loss) per share (\$)	nm	nm	nm	19	24	(5)
Diluted earnings/(loss) per share (\$)	nm	nm	nm	19	24	(5)

Core results⁽¹⁾

Core operating income	83	78	5	(38)	(35)	(3)
Core net income	108	102	6	(45)	(42)	(3)
Core basic earnings per share (\$)	107	101	6	(44)	(42)	(2)
Core diluted earnings per share (\$)	107	101	6	(45)	(42)	(3)

(1) Core results and constant currencies (cc) as presented in this table are non-IFRS measures. Alcon uses certain non-IFRS metrics when measuring performance, including when measuring current period results against prior periods. Refer to "Item 5.A. Operating Results—Supplementary Information—Definitions and Reconciliations of Non-IFRS Measures" section for additional information.

A 1% movement in the USD versus our basket of currencies would have resulted in a \$43 million change in annual net sales and a \$18 million change in both annual operating income and core operating income.

SUPPLEMENTARY INFORMATION - DEFINITIONS AND RECONCILIATIONS OF NON-IFRS MEASURES

Non-IFRS measures as defined by the Company

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

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

Core results

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

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

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

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

Constant currencies

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

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

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

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

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

EBITDA

Alcon defines earnings before interest, tax, depreciation and amortization ("EBITDA") as net income/(loss) excluding income taxes, depreciation of property, plant and equipment (including any related impairment charges), depreciation of right-of-use assets, amortization of intangible assets (including any related impairment charges), interest expense and other financial income and expense. Alcon management primarily uses EBITDA together with net (debt)/liquidity to monitor leverage associated with financial debts. For a reconciliation of EBITDA to the most directly comparable measure presented in accordance with IFRS, see "Item 5.B. Liquidity and Capital Resources—EBITDA (non-IFRS measure)" section.

Free cash flow

Alcon defines free cash flow as net cash flows from operating activities less cash flow associated with the purchase or sale of property, plant and equipment. Free cash flow is presented as additional information because Alcon management believes it is a useful supplemental indicator of Alcon's ability to operate without reliance on additional borrowing or use of existing cash. Free cash flow is not intended to be a substitute measure for net cash flows from operating activities as determined under IFRS. For a reconciliation of free cash flow to the most directly comparable measure presented in accordance with IFRS, see "Item 5.B. Liquidity and Capital Resources—Free cash flow (non-IFRS measure)" section.

Net (debt)/liquidity

Alcon defines net (debt)/liquidity as current and non-current financial debt less cash and cash equivalents, current investments and derivative financial instruments. Net (debt)/liquidity is presented as additional information because management believes it is a useful supplemental indicator of Alcon's ability to pay dividends, to meet financial commitments and to invest in new strategic opportunities, including strengthening its balance sheet. For a reconciliation of net (debt)/liquidity to the most directly comparable measure presented in accordance with IFRS, see "Item 5.B. Liquidity and Capital Resources—Net (debt)/liquidity (non-IFRS measure)" section.

Growth rate and margin calculations

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

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

Reconciliation of IFRS results to core results

2021

(\$ millions except earnings per share)	IFRS results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Separation costs ⁽³⁾	Transformation costs ⁽⁴⁾	Post-employment benefits ⁽⁵⁾	Legal items ⁽⁶⁾	Other items ⁽⁷⁾	Core results
Gross profit	4,652	520	45	—	—	—	—	(1)	5,216
Operating income	580	529	225	36	68	(16)	50	(29)	1,443
Income before taxes	418	529	225	36	68	(16)	50	(29)	1,281
Taxes ⁽⁸⁾	(42)	(95)	(51)	(6)	(13)	2	(12)	(1)	(218)
Net income	376	434	174	30	55	(14)	38	(30)	1,063
Basic earnings per share (\$)	0.77								2.17
Diluted earnings per share (\$)	0.76								2.15
Basic - weighted average shares outstanding (millions) ⁽⁹⁾	490.0								490.0
Diluted - weighted average shares outstanding (millions) ⁽⁹⁾	493.4								493.4
Adjustments to arrive at core operating income									
Selling, general & administration	(3,076)	—	—	19	—	—	—	—	(3,057)
Research & development	(842)	9	180	—	—	—	—	(29)	(682)
Other income	43	—	—	—	—	(16)	—	(2)	25
Other expense	(197)	—	—	17	68	—	50	3	(59)

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

2020

(\$ millions except (loss)/earnings per share)	IFRS results	Amortization of certain intangible assets ⁽¹⁾	Impairments ⁽²⁾	Separation costs ⁽³⁾	Transformation Costs ⁽⁴⁾	Post-employment benefits ⁽⁵⁾	Other items ⁽⁷⁾	Core results
Gross profit	2,940	1,001	106	13	—	—	32	4,092
Operating (loss)/income	(482)	1,021	167	217	49	(154)	(29)	789
(Loss)/income before taxes	(635)	1,021	167	217	49	(154)	(29)	636
Taxes ⁽⁶⁾	104	(172)	(34)	(37)	(10)	38	(13)	(124)
Net (loss)/income	(531)	849	133	180	39	(116)	(42)	512
Basic (loss)/earnings per share (\$)	(1.09)							1.05
Diluted (loss)/earnings per share (\$)	(1.09)							1.04
Basic - weighted average shares outstanding (millions) ⁽⁹⁾	489.0							489.0
Diluted - weighted average shares outstanding (millions) ⁽⁹⁾	489.0							491.8
Adjustments to arrive at core operating income								
Selling, general & administration	(2,694)	—	—	22	—	—	—	(2,672)
Research & development	(673)	20	61	—	—	—	(25)	(617)
Other income	235	—	—	—	—	(166)	(36)	33
Other expense	(290)	—	—	182	49	12	—	(47)

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

Reconciliation of IFRS results to core results (continued)

2019

(\$ millions except (loss)/earnings per share)	IFRS results	Amortization of certain intangible assets ⁽¹⁾	Separation costs ⁽³⁾	Transformation costs ⁽⁴⁾	Legal items ⁽⁶⁾	Other items ⁽⁷⁾	Core results
Gross profit	3,662	1,007	10	—	—	(16)	4,663
Operating (loss)/income	(187)	1,040	237	52	32	91	1,265
(Loss)/income before taxes	(332)	1,040	237	52	32	91	1,120
Taxes ⁽⁸⁾	(324)	(140)	(54)	(7)	(8)	338	(195)
Net (loss)/income	(656)	900	183	45	24	429	925
Basic (loss)/earnings per share (\$)	(1.34)						1.89
Diluted (loss)/earnings per share (\$)	(1.34)						1.89
Basic - weighted average shares outstanding (millions) ⁽⁹⁾	488.2						488.2
Diluted - weighted average shares outstanding (millions) ⁽⁹⁾	488.2						490.1
Adjustments to arrive at core operating income							
Selling, general & administration	(2,847)	—	30	—	—	15	(2,802)
Research & development	(656)	33	4	—	—	35	(584)
Other income	55	—	—	—	—	(9)	46
Other expense	(401)	—	193	52	32	66	(58)

Explanatory footnotes to IFRS to Core reconciliation tables

- (1) Includes recurring amortization for all intangible assets other than software.
- (2) Includes impairment charges related to intangible assets.
- (3) Separation costs, primarily related to IT and third party consulting fees, following completion of the Spin-off.
- (4) Transformation costs, primarily related to restructuring and third party consulting fees, for the multi-year transformation program.
- (5) Includes impacts from pension and other post-employment benefit plan amendments.
- (6) For 2021, includes an increase in provisions for legal matters. For 2019, includes legal settlement costs and certain external legal fees.
- (7) For 2021, Gross profit includes fair value adjustments to contingent consideration liabilities. Research & development includes fair value adjustments to contingent consideration liabilities of \$41 million, partially offset by \$12 million for the amortization of option rights. Other income and Other expense include fair value adjustments of financial assets.

For 2020, Gross profit includes \$35 million primarily for losses on disposal of property, plant & equipment, partially offset by \$3 million in fair value adjustments to contingent consideration liabilities. Research & development includes \$60 million in fair value adjustments to contingent consideration liabilities, partially offset by \$35 million in expenses primarily related to the amortization of option rights. Other income includes a gain relating to an extinguishment of certain potential liabilities under the employee matters agreement executed at Spin-off and fair value adjustments of financial assets.

For 2019, Gross profit includes \$37 million in fair value adjustments to contingent consideration liabilities, partially offset by \$21 million in spin readiness costs, manufacturing sites consolidation activities, and integration of recent acquisitions. Selling, general & administration primarily includes spin readiness costs and the integration of recent acquisitions. Research & development includes \$73 million for the amortization of option rights, post-marketing study following a product's voluntary market withdrawal, and the integration of recent acquisitions, partially offset by \$38 million in fair value adjustments to contingent consideration liabilities. Other income primarily includes a realized gain on a financial asset. Other expense primarily includes spin readiness costs, fair value adjustments of a financial asset and other items.

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

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

For 2019, total tax adjustments of \$129 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$1.5 billion totaled \$215 million with an average tax rate of 14.8%. Core tax adjustments for discrete items totaled \$344 million, primarily including \$304 million in non-cash tax expense for re-measurement of deferred tax balances as a result of Swiss tax reform, tax expense related to rate changes in the US following legal entity reorganizations executed related to the Spin-off, non-cash tax expense related to the re-measurement of deferred tax assets and liabilities following a tax rate change in India, and net changes in uncertain tax positions.

- (9) 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 8 to the Consolidated Financial Statements.

5.B. LIQUIDITY AND CAPITAL RESOURCES

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

We believe that we have adequate liquidity to meet our needs. At December 31, 2021, we had cash and cash equivalents of \$1.6 billion, in line with December 31, 2020. At December 31, 2021, we had current financial debt of \$114 million, compared to \$169 million at December 31, 2020, consisting of bank and other financial debt. At December 31, 2021, we had non-current financial debt of \$4.0 billion, compared to \$3.9 billion at December 31, 2020, consisting of bank debt and senior notes primarily as a result of the Spin-off.

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

Potential future uses of our liquidity include capital expenditures, acquisitions, debt repayments, dividend payments, and other general corporate purposes. As of December 31, 2021, we had commitments for purchases of property, plant & equipment of \$186 million. In addition, we completed the acquisition of Ivantis, Inc. on January 7, 2022. Cash paid for the acquisition, net of cash acquired, was \$475 million. The agreement also includes 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.

We use the US Dollar as our reporting currency and are therefore exposed to foreign currency exchange movements, primarily in Euros, Japanese Yen, Chinese Renminbi, Swiss Francs, and emerging market currencies. We manage our global currency exposure by engaging in hedging transactions where management deems appropriate (forward contracts and swaps) to preserve the value of assets. As of December 31, 2021 unsettled derivative positions included \$3 million in unrealized gains and \$7 million in unrealized losses.

All comments in this section relate to the year ended December 31, 2021 compared to 2020. Commentary for the year ended December 31, 2020 compared to 2019 may be found in Item 5 of the 2020 Form 20-F.

Free cash flow (non-IFRS measure)

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

(\$ millions)	2021	2020	2019
Net cash flows from operating activities	1,345	823	920
Purchase of property, plant & equipment	(700)	(479)	(553)
Proceeds from sale of property, plant & equipment	—	6	—
Free cash flow	645	350	367

Free cash flow amounted to an inflow of \$645 million in 2021, compared to an inflow of \$350 million in the prior year period, driven by increased cash flow from operating activities, partially offset by increased purchases of property, plant and equipment.

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

Cash flow and net (debt)/liquidity

(\$ millions)	2021	2020
Net cash flows from operating activities	1,345	823
Net cash flows used in investing activities	(1,198)	(572)
Net cash flows (used in)/from financing activities	(123)	466
Effect of exchange rate changes on cash and cash equivalents	(6)	18
Net change in cash and cash equivalents	18	735
Change in derivative financial instrument assets	—	2
Change in equity securities of public companies	3	—
Change in current and non-current financial debts	38	(639)
Change in net (debt)	59	98
Net (debt) at January 1	(2,558)	(2,656)
Net (debt) at December 31	(2,499)	(2,558)

Net cash flows from operating activities amounted to \$1.3 billion in 2021, compared to \$823 million in the prior year period. The current year cash flows benefited from higher sales, lower separation spending and lower transformation payments, partially offset by increased discretionary spending and increased taxes paid due to timing of payments and increased profitability. Both periods were impacted by changes in net working capital and semi-annual interest payments.

Changes in net working capital in the current year were mainly driven by increases in inventories and trade receivables, partially offset by the net change in other operating liabilities and increases in trade payables. The increase in inventories was primarily associated with new product launches as well as to meet expected upcoming demand and to support supply chain continuity. The increase in trade receivables was primarily driven by new receivables from higher sales outpacing collections. The net change in other operating liabilities was primarily related to accruals for associate short-term incentive benefits and revenue deductions, partially offset by payments for Value Added Tax ("VAT") and other payables. The increase in trade payables was primarily driven by increased discretionary spending. Changes in net working capital in the prior year period were mainly due to increases in inventories, partially offset by changes in other operating assets. The increase in inventories was primarily driven by inventory builds for new product launches and decreased demand due to the COVID-19 pandemic, while the reduction in other operating assets was due to decreases in the current portion of long-term receivables and finance lease agreements from customers and other receivables. There were also decreases in trade payables related to operating activities due to management of discretionary spending and decreases in trade receivables as collections outpaced new sales. The net change in other operating liabilities was driven by decreased accruals for associate short-term incentive benefits and for obligations under the employee matters agreement executed at Spin-off, partially offset by increases in accruals for taxes other than income taxes. Refer to Note 21 to the Consolidated Financial Statements for additional details regarding changes within net working capital.

Net cash flows used in investing activities amounted to \$1.2 billion in 2021, compared to \$572 million in the prior year period, primarily due to the acquisition of exclusive US commercialization rights to *Simbrinza* and increased capital expenditures, including new contact lens manufacturing lines. Refer to Notes 4 of the Consolidated Financial Statements for additional information on the *Simbrinza* US commercialization rights acquisition.

Net cash flows used in financing activities amounted to \$123 million in 2021, compared to net cash flows from financing activities of \$466 million in the prior year period. Cash outflows in the current year primarily include lease payments, dividends paid, payment of certain local debt facilities and withholding taxes paid upon net settlements of equity-based compensation, partially offset by net proceeds from refinancing of local debt facilities in Japan. Cash inflows in the prior year period include the issuance of senior notes in May 2020, partially offset by repayments of current financial debts, realized foreign exchange losses, lease payments and withholding taxes paid upon net settlements of equity-based compensation. Refer to Notes 4, 17 and 21 of the Consolidated Financial Statements for additional information.

Balance sheet

Assets

Total non-current assets were \$22.6 billion as of December 31, 2021, in line with December 31, 2020. Property, plant, and equipment increased \$286 million primarily due to capital expenditures, partially offset by depreciation and foreign currency translation effects. There was a decrease of \$332 million in Intangible assets other than goodwill primarily due to recurring amortization and asset impairments, partially offset by the acquisition of exclusive US commercialization rights to *Simbrinza*.

Total current assets were \$5.4 billion as of December 31, 2021, an increase of \$399 million when compared to \$5.0 billion as of December 31, 2020. Inventories increased \$255 million primarily associated with new product launches as well as to meet expected upcoming demand and to support supply chain continuity. Trade receivables increased \$135 million primarily driven by higher sales.

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

The gross trade receivables from these countries at December 31, 2021 amounted to \$252 million (\$211 million at December 31, 2020), of which \$10 million are past due for more than one year (\$14 million at December 31, 2020) and for which provisions of \$11 million have been recorded (\$15 million at December 31, 2020). At December 31, 2021, amounts past due for more than one year are not significant in any of these countries.

The following table summarizes the aging of trade receivables as of December 31, 2021 and 2020:

(\$ millions)	2021	2020
Not overdue	1,273	1,137
Past due for not more than one month	96	109
Past due for more than one month but less than three months	74	67
Past due for more than three months but less than six months	43	36
Past due for more than six months but less than one year	23	31
Past due for more than one year	42	49
Provisions for doubtful trade receivables	(55)	(68)
Total trade receivables, net	1,496	1,361

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

Liabilities

Total non-current liabilities were \$6.3 billion as of December 31, 2021, a decrease of \$249 million when compared to \$6.5 billion as of December 31, 2020. Provisions and other non-current liabilities decreased \$120 million primarily related to reductions in pensions and post-employment benefit obligations and contingent consideration liabilities. Deferred tax liabilities decreased \$170 million primarily related to recurring amortization of intangible assets and asset impairments.

Total current liabilities were \$2.5 billion as of December 31, 2021, an increase of \$214 million when compared to \$2.3 billion as of December 31, 2020. Provisions and other current liabilities increased \$207 million primarily related to accruals for associate short-term incentive benefits, legal items and revenue deductions, partially offset by VAT payments, settlement of contingent consideration obligations and other payables. Current income tax liabilities increased \$38 million primarily driven by increased profitability, partially offset by tax payments. Trade payables increased \$27 million primarily due to increased discretionary spending, partially offset by foreign currency translation effects. Current financial debts decreased \$55 million primarily due to the payment of certain local debt facilities and the refinancing of local debt facilities in Japan.

Equity

Equity was \$19.3 billion as of December 31, 2021, an increase of \$434 million when compared to \$18.8 billion as of December 31, 2020.

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

The following is a summary of net (debt) as of December 31, 2021 and December 31, 2020, together with a reconciliation to total financial debt, the most directly comparable IFRS measure.

(\$ millions)	2021	2020
Current financial debt	(114)	(169)
Non-current financial debt	(3,966)	(3,949)
Total financial debt	(4,080)	(4,118)
Less liquidity:		
Cash and cash equivalents	1,575	1,557
Equity securities of public companies	3	—
Derivative financial instruments	3	3
Total liquidity	1,581	1,560
Net (debt)	(2,499)	(2,558)

Net debt of \$2.5 billion as of December 31, 2021 decreased \$59 million compared to \$2.6 billion as of December 31, 2020. Alcon's liquidity amounted to \$1.6 billion as of December 31, 2021, in line with December 31, 2020. Total financial debt amounted to \$4.1 billion as of December 31, 2021, in line with December 31, 2020. The average maturity of financial debts outstanding as of December 31, 2021 is 8.0 years.

The \$1 billion revolving credit facility remained undrawn as of December 31, 2021 and February 15, 2022. For additional information regarding net (debt)/liquidity, which is a non-IFRS measure, see the explanation of non-IFRS measures in "Item 5.A. Operating Results—Supplementary Information—Definitions and Reconciliations of Non-IFRS Measures".

Additional COVID-19 considerations

Associate safety

To protect our associates, we have implemented a response framework with required COVID-19 prevention, containment and mitigation measures. We are continuing to manage return to the workplace protocols in line with local conditions and CDC guidelines, and our sales and customer service teams are equipped with the tools to keep them healthy and safe, including pre-visit checklists and appropriate personal protective equipment ("PPE"). In addition, we encourage our associates to be vaccinated.

Net sales trends

Following a low point in the second quarter of 2020 due to the pandemic, net sales have improved with total net sales in 2021 showing growth compared to both 2020 and 2019, with a strong recovery in the United States and varying paces of recovery in international markets. We are encouraged by current trends in surgical procedures with the improved adoption of safety measures and the availability of vaccines. However, uncertainty remains as we expect the pace of recovery will continue to vary on a market by market basis, depending on existing capacity, differences between private and public channels, hospital and non-hospital settings, the nature of patient needs and sense of safety and availability of vaccines. Based on these factors, we believe we will likely see some lingering impact from COVID-19 through mid-2022.

Supply chain continuity

To protect our customers and the patients who depend on our products, we continue to manufacture and supply our products and are actively working to mitigate any potential supply chain disruptions. Prior to the current crisis, we

developed a diverse manufacturing footprint, which has enabled us to maintain sufficient inventory on hand. We have enhanced our business continuity plans to ensure our supply chain is maintained. We have increased the levels of certain raw materials on hand for supply chain continuity. We generally target at least 12 weeks of customer-ready products in our supply chain and, for most of our products, we are at or close to this level. 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 anticipate may impact 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, PPE, metals and filters. Our procurement teams are staying in close contact with our critical suppliers to maintain access to raw materials and other components. When necessary, we are also utilizing alternative methods of product distribution and supplier sourcing, as well as alternative shipping options where possible. We expect these supply chain challenges to continue through 2022. In addition, we have partnered with industry trade groups and the medical community as they developed new protocols to serve patients safely during the pandemic.

Financial measures

We ended 2021 with \$1.6 billion in cash and cash equivalents. Further, collections and trade receivables have stabilized. However, we may see delays or reductions in collections in the coming months as we continue to work with our customers during this pandemic.

Because we believe the COVID-19 conditions are transitory, we are not making structural changes to our operational costs that could impede our ability to fully ramp up with the recovery across all geographic markets. We will continue to monitor trends and manage our discretionary spending in line with sales recovery.

Key assumptions

Management has assessed the past and potential impact of the adverse effects of COVID-19 on Alcon's results of operations, cash flows and liquidity. The preparation of financial statements requires management to make certain estimates and assumptions, either at the balance sheet date or during the period that affects the reported amounts of assets and liabilities as well as revenues and expenses. In particular, the Consolidated Financial Statements for the period ended December 31, 2021 required the use of significant estimates and assumptions pertaining to the impact of COVID-19 on Alcon's operations, results and liquidity. Key assumptions include:

- Customers in some geographies will continue to face COVID-19 challenges, including a resurgence of the virus and its variants;
- Global markets will grow over 2021 in line with historical averages;
- We will retain our associates and meet supplier obligations while managing discretionary costs; and
- Transformation and strategic investment priorities will continue.

Actual outcomes and results could differ materially from our estimates and assumptions. For example, extended or new COVID-19 related shut-down periods or slower recovery periods could result in 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. We use the US Dollar as our reporting currency and are therefore also exposed to foreign currency exchange movements, primarily in Euros, Japanese Yen, Chinese Renminbi, Swiss Francs and emerging market currencies.

Financial debts

Our financial debts do not have any major maturities before 2024 and do not contain any financial covenants. Our \$1 billion revolving credit facility remained undrawn as of February 15, 2022 and there are no current limitations on our ability to borrow under the facility.

EBITDA (non-IFRS measure)

(\$ millions)	2021	2020	2019
Net income/(loss)	376	(531)	(656)
Taxes	42	(104)	324
Depreciation of property, plant & equipment	323	293	267
Depreciation on right-of-use assets	81	79	66
Amortization of intangible assets	590	1,078	1,084
Impairments of property, plant & equipment, and intangible assets	225	173	8
Interest expense	120	124	113
Other financial income & expense	42	29	32
EBITDA	1,799	1,141	1,238

Liquidity and financial debt by currency

The following table summarizes liquidity and financial debts by currency as of December 31, 2021 and 2020.

	Liquidity (%) ⁽¹⁾		Financial debts (%) ⁽²⁾	
	2021	2020	2021	2020
USD	91	90	87	86
EUR	4	3	10	11
CHF	—	1	—	—
JPY	—	—	3	2
Other	5	6	—	1
Total	100	100	100	100

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

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

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

Alcon research & development spending totaled \$842 million, \$673 million and \$656 million for the years 2021, 2020 and 2019, respectively. As described in the "Risk Factors" section and elsewhere in this Annual Report, we are subject to varying degrees of governmental regulation in the countries in which we operate, which makes the process of developing new products and obtaining necessary regulatory marketing authorization lengthy, expensive and uncertain. See "Item 3. Key Information—3.D. Risk Factors". For further information on Alcon research and development policies and additional product information, as well as a description of the regulatory approval process, see "Item 4. Information on the Company—4.B. Business Overview".

5.D. TREND INFORMATION

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

5.E. OFF-BALANCE SHEET ARRANGEMENTS

We have no unconsolidated special purpose financing or partnership entities or other off balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources, that is material to investors. See also Note 26 to the Consolidated Financial Statements included elsewhere in this Annual Report.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A. DIRECTORS AND SENIOR MANAGEMENT

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

6.B. COMPENSATION

Introduction

Dear Shareholder

On behalf of the Alcon Board of Directors ("Board") and Compensation Committee ("CC"), I am pleased to present the 2021 Compensation Report. This report outlines Alcon's overall 2021 compensation framework and philosophy for the members of the Board as well as for the members of the Executive Committee of Alcon ("ECA") and provides a general outlook for our 2022 compensation structure.

This Compensation Report covers the financial year 2021 from January to December.

2021 in Review

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

Business Overview

2021 was a very successful year for Alcon. Despite continuing challenges from the COVID-19 pandemic, the Company delivered outstanding financial performance as a result of our innovative product offerings and strong commercial execution.

Our efforts to retain and protect our associates in 2020 paid off; the Company was well positioned as the markets recovered in 2021. We benefited from our share positions as the US market recovered and although we continue to see varying paces of recovery in our international markets, our associates have carefully navigated these trends to ensure growth alongside careful cost management. Highlights from the year are outlined below:

- Net Sales reached \$8.2 billion in 2021, representing a growth of +12% compared to a pre-COVID and unaffected 2019, despite the continued market disruption created by the COVID-19 pandemic
- Robust product innovation for Alcon, with the launch of 11 new products, including *Vivity*, *Vivity Toric*, *PRECISION1* for Astigmatism, *TOTAL30* Sphere and *Pataday* Once Daily Extra Strength
- Product innovation and strong commercial execution which enabled both Franchises to grow ahead of the market compared to 2019; sales of Contact Lenses grew +9% while the market grew in low single digits; the Surgical business grew an impressive +13% while the overall global procedures were ~10% below 2019 levels
- Net cash flows from operating activities grew significantly, from \$920 million in 2019 to \$1,345 million in 2021; likewise, Free Cash Flow¹ increased from \$367 million in 2019 to \$645 million in 2021 as income growth substantially improved
- In 2021, Alcon's share price increased by 32% and outperformed industry peers and relevant indices resulting in an \$11 billion increase in shareholder value with our market capitalization reaching \$44 billion by year-end; in addition, Alcon paid its first dividend to shareholders in May 2021

We approached an uncertain year with enthusiasm for the products that help people *See Brilliantly* and the financial discipline to execute 2021 in line with our long-term goals.

2021 Annual General Meeting Vote and Engagement with Shareholders

At our 2021 Annual General Meeting ("AGM"), our 2020 Compensation Report received support from 44% of the votes cast. The Board and the CC took the outcome of this vote seriously and, as a result, members of our Board and management team conducted broad shareholder outreach during the second half of 2021 engaging with and gathering feedback from

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

our shareholders regarding our executive compensation programs in order to better understand and appropriately respond to their concerns.

Our engagement team included Mr. Ball, our Board Chair, our Chief Human Resources Officer, General Counsel and Head of Investor Relations. We heard directly from investors on a range of important topics tied to the executive compensation programs as well as broader ESG matters. We discussed and took their feedback on a number of items related to 2021 AGM results, our use of discretion in determining the payout of our Short-Term Incentive ("STI") plan for 2020, CEO compensation during 2020, the level of transparency in the payouts under our STI and Long-Term Incentive ("LTI") plans contained in our 2020 Compensation Report, our peer group and Board compensation. While we were encouraged to hear that shareholders broadly supported our overall executive compensation program, we noted certain specific concerns and we have addressed them through an increased level of transparency in this report. Specifically, we have provided increased disclosure of the following topics:

- the targets for each of the metrics of the 2021 STI plan;
- increased disclosure of the Individual Performance Factor (IPF) impacting 2021 STI payout including linking of specific ESG objectives to ECA compensation;
- the structure of the Share of Peers and Innovation metrics in our LTI plan;
- the rationale for our blended peer group; and
- the underlying philosophy regarding the quantum of compensation for our CEO and ECA.

Additionally, we have enhanced these disclosures to provide an increased understanding of Alcon's compensation and retention philosophies, which are grounded in our pay-for-performance principles that align directly with shareholder interests. For your convenience, we have included a table in the Compensation at a Glance section of this Compensation Report that details the input received from our shareholders and how our CC has addressed each of these matters.

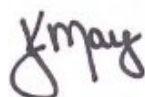
2022 Annual General Meeting

In line with the Articles of Incorporation, we will ask our shareholders to cast a binding vote on the maximum aggregate amount of compensation for members of the Board for their term of office from the 2022 AGM to the 2023 AGM. We will also ask our shareholders to cast a binding vote on the maximum aggregate amount of compensation for members of the ECA for the 2023 financial year. In addition, we will ask our shareholders to endorse this 2021 Compensation Report in an advisory vote.

We are not requesting an increase to the Say-on-Pay budget for the ECA in 2023 or the Board compensation from 2022-2023 AGM as compared to prior year.

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

Sincerely,



Karen May
Chair of the Compensation Committee

Compensation at a Glance

Shareholder Outreach and Consideration of 2021 AGM Vote

As a result of the voting outcome at our 2021 AGM, we undertook a robust shareholder outreach effort to understand the perspectives of our shareholders. While we were encouraged to hear that shareholders strongly supported our management team and our overall executive compensation program, we noted certain specific concerns. The following table highlights the primary concerns expressed by shareholders and actions we have taken to address them:

Exhibit 1

Discretion	Concerns regarding the use of discretion in the 2020 STI Payout.
Background	In 2020, the CC used positive discretion to payout 75% STI to executives during an extraordinary year marred by the impacts of the global pandemic. In making the decision to utilize discretion, the committee took into consideration a number of factors, including company actions taken to mitigate the business impacts of the pandemic, market share gains, stock price performance, continued delivery of innovation pipeline, associate experience as well as shareholder feedback. We previewed our planned use of discretion during our shareholder outreach in late 2020 and incorporated the feedback we received into our final decision and the associated disclosures. No discretion was applied to any mid-cycle LTI awards. Targets set prior to the impacts of the pandemic were not altered.
Outcome	No discretion was applied for the 2021 STI plan. In 2020, the CC made a discretionary adjustment in the extraordinary circumstances of the global pandemic. We maintained full employment of, and did not furlough associates as well as maintained pay levels, including paying approximately 85% STI to all associates, and did not accept any government funding. The current compensation program remains well-suited to effectively align pay and performance.
Disclosure	Desire for additional disclosure of the STI and LTI Plan targets as well as Alcon's actual performance against the goals—while acknowledging the potential competitive sensitivity of this data.
Background	The CC attempts to balance the need to prevent competitive harm from disclosing targets with our shareholders' need for reassurance regarding the strength of the link between our pay and our performance and have sought to achieve this balance in making changes for 2021.
Outcome	In the current 2021 Compensation Report, we have provided a full description of performance achieved on each metric during the previous fiscal year to allow shareholders to assess the rigor of our performance assessment. We have disclosed the specific STI targets for 2021 STI payments. We have increased disclosure of Individual Performance KPIs (including ESG related objectives) that directly impact the STI payout. We have also enhanced disclosures for the target setting methodology and achievement level determination of Share of Peers and Innovation metrics that each comprise 25% of the long-term incentive plan metrics for our LTI plan.
CEO Compensation	Concerns with the magnitude of the 2020 CEO target pay increase.
Background	In 2019, the Board reviewed the CEO's compensation and it was significantly below the median of our peer group. In 2020, the Board set the CEO's total compensation opportunity below the median CEO compensation of our peer group. This increase in pay opportunity was achieved through an increase solely in performance share units with a 3-year cliff vest. We note that we implemented this action prior to the pandemic. In alignment with our pay-for-performance compensation philosophy, we will continue to monitor our CEO's target compensation versus the peer group.
Outcome	In 2021, the CEO received a 3% base salary increase in line with the average base salary increase received by all other Alcon associates, and no other increases. We note that we made this adjustment before the 2021 AGM. In 2022, the CEO will not receive any increase to his compensation, including base salary and STI and LTI targets.

2021 ECA Compensation-Summary

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

In 2021, Ms. Lin was appointed as a new ECA member after Mr. Onuscheck departed. No extraordinary payments were made to Mr. Onuscheck upon his departure nor any special payments or equity awards were made to Ms. Lin upon the start of her new role. Mr. Bell and Mr. Narayanan assumed new roles in the Company (continuing on the ECA) effective September 1, 2021. Each individuals' compensation was adjusted to be commensurate with their new roles.

The CC exercised no discretion with regard to our STI and LTI plans during 2021.

Exhibit 2

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

Total Compensation for 2021

From January 1, 2021 to December 31, 2021, we awarded the ECA members the amounts set out below. For more detailed information, see section "ECA Compensation 2021" in this 2021 Compensation Report.

Exhibit 3

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

¹ Performance Stock Units.

² Includes the CEO and six other ECA members.

³ The amounts were converted at the rate of 1.0 CHF : 1.093697 USD.

2021 Board of Directors Compensation-Summary

We paid our Directors a fixed fee for services covering the term of their office from the 2021 Annual General Meeting ("2021 AGM") to the 2022 Annual General Meeting ("2022 AGM"). No changes have been made to Board compensation since Alcon's spin-off from Novartis in April 2019.

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

Exhibit 4

Board function	CHF	USD ¹
Annual base fee:		
Board Chair	950 000	1,039,012
Board member base fee (Board retainer fee)	200 000	218,739
Additional fees:		
Vice Chair	40 000	43,748
Chair of the Audit and Risk Committee	70 000	76,559
Chair of the Compensation Committee	50 000	54,685
Chair of the Governance and Nomination Committee	50 000	54,685
Chair of the Innovation Committee	50 000	54,685
Member of the Audit and Risk Committee	35 000	38,279
Member of the Compensation Committee	25 000	27,342
Member of the Governance and Nomination Committee	25 000	27,342
Member of the Innovation Committee	25 000	27,342

¹ The Board fees are paid in Swiss Francs (CHF), converted at the rate of 1.0 CHF : 1.093697 USD.

Alcon Board Fee Payments in 2021

In 2021, Alcon paid the members of the Board the following total amounts.

Exhibit 5

	Payment in cash	Tax and other cash	Payment in shares	Number of shares	Other payments	Total fees
Total fees paid in 2021 ¹ in USD	325,374	635,811	2,481,228	32,490	52,057	3,494,470
Total fees paid in 2021 in CHF ²	297,499	581,341	2,268,661	32,490	47,597	3,195,099

¹ Represents compensation for nine out of ten members of the Board as David J. Endicott does not receive additional compensation for his service as a member of the Board.

² The payments in cash were made in Swiss Francs (CHF). For consistency all compensation payments are reported in USD in this report. The amounts were converted at the rate of 1.0 CHF : 1.093697 USD. All amounts are before deduction of the social security contributions and income tax due by the Board member.

For more details regarding the compensation paid to the individual members of the Board, see section "Board of Directors Compensation 2021" in this Compensation Report.

Corporate Governance

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

The Board is responsible for approving the Compensation Report and for the proposal of the aggregate budget of Board compensation and ECA compensation to the shareholders at the AGM. The Corporate Governance Report contained in our 2021 Annual Report in "Item 6.C. Board Practices" provides further details regarding the responsibilities of the CC.

2022 Compensation Outlook

ECA Compensation

The CC is committed to a pay-for-performance compensation framework to align Company and executive performance with shareholder interests. Our executive compensation framework will continue to be benchmarked against a carefully selected peer group, consisting of European and North American companies designed, in aggregate, to be representative of Alcon's size, industry and geographies. The inclusion of European and North American companies reflects our global footprint, business mix and sources of management talent.

Based on the Company's business strategy, compensation philosophy and the analysis of peer group compensation practices, below are the key features of ECA compensation for 2022:

- No compensation increase for the CEO including base salary and short and long term incentive targets;
- Same overall structure of ECA compensation as compared to 2021 (base pay, STI, LTI and benefits);
- Continuation of robust share ownership requirements; and
- No material changes to benefits provisions.

Board Compensation

The Board compensation framework will remain unchanged for the upcoming term of office from the 2022 AGM to the 2023 AGM, including:

- Board Chair and Board member fees unchanged compared to 2021; and
- Same mix of fees payable in cash and shares as in 2021, including the option to elect a higher percentage in shares in lieu of cash.

In 2021, the Board conducted a benchmarking study of Alcon's Board pay against other SMI companies and determined that our Board pay is below the median level of SMI companies. Nonetheless, the Board made the decision to not propose any compensation change at the 2022 AGM for the 2022-2023 AGM term. Our Board's pay has not changed in Alcon's history as a public Company. The CC and the Board will reconsider possible changes to Board compensation in 2023 for future terms.

Adherence to Strong Governance Practices

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

Exhibit 6

What we do

- Provide a majority of executive pay in variable, rather than fixed, compensation in order to ensure pay-for- performance
- Tie 100% of Short-Term and Long-Term Incentive to appropriately ambitious performance metrics
- Follow best practices in executive compensation design
- Prohibit hedging, pledging and short sales of Company stock by executive officers and Directors
- Have robust share ownership requirements to reinforce alignment between executives and shareholders
- Include forfeiture and claw-back provisions for all variable compensation payments
- Ensure that STI and LTI plans have target and maximum payout limits
- Award all equity grants at market value
- Conduct ongoing investor outreach

What we don't do

- No severance agreements
- No single-trigger change in control payments
- No change in control related excise tax gross ups
- No termination notice period in excess of twelve months
- No stock option awards
- No active defined benefit pension plans
- No guaranteed compensation

ECA Compensation 2021

Compensation Governance

Authority for ECA Compensation Decisions

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

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

Exhibit 9

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

R Recommend P Propose A Approve

¹ binding vote

² advisory vote

Compensation Program

In the financial year 2021, Alcon's ECA compensation framework includes the strategic objectives of:

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

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

Pay-for-Performance

Variable compensation represents a majority of total compensation and affirms our pay-for-performance philosophy (see more information in Exhibits 12 and 22). Actual payout is contingent on the achievement of Company and individual performance goals. Performance metrics and goals are aligned with the Company's business strategy and compensation philosophy as well as long-term value creation for shareholders and are approved annually by the CC and the Board.

Peer Group

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

The CC believes that a consistent and relevant set of peer companies that are similar to Alcon in size and scope in aggregate, enables shareholders to assess the appropriate levels and practices of compensation and allows for pay-for-performance comparisons. Alcon's revenue and market capitalization are approximately at the median of the peer group companies.

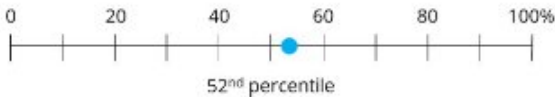
Although Alcon is headquartered in Switzerland, a significant portion of our sales, management team and associate population are in the US. The US is the largest pool for both medical device and ophthalmology talent, and it is therefore critical that Alcon is able to attract and retain key talent from the US. As a result, our CC has selected a blended Peer Group of North American and European companies (58% US and 42% outside US) to balance the European compensation structure with a need to attract and retain US talent. While we do not pay as much as our US competitors, we desire to stay close to the median of the blended Peer Group. The 2021 Peer Group is outlined in Exhibit 7.

Exhibit 7

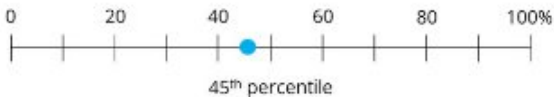
Global Peer Group

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

Revenue*



Market Capitalization*



*Revenue and Market Capitalization as of December 31, 2021

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

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

Forfeiture and Claw-back Rules

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

Share Ownership Requirements for ECA Members

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

Exhibit 8

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

All members of the ECA must meet these requirements within five years of service from the later of the date of the Spin-off from Novartis or commencement of ECA level role. If any of the ECA members fail to meet the requirement, or if they are not on track with the requirements, the CC may take several actions such as prohibiting the sale of Alcon shares until such time the requirement is met. At the end of 2021, each member of the ECA has met or is on track to meet the applicable ownership requirement.

Compensation Elements

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

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

Exhibit 10

Annual Base Salary

Annual Base Salary	<p>Annual base salary is set and reviewed considering:</p> <ul style="list-style-type: none">• Market value of the role• Benchmark information of peer companies• Market median within the peer companies• Executive's role, performance, experience and potential• Increases in line with inflation and market• Business performance and the external environment
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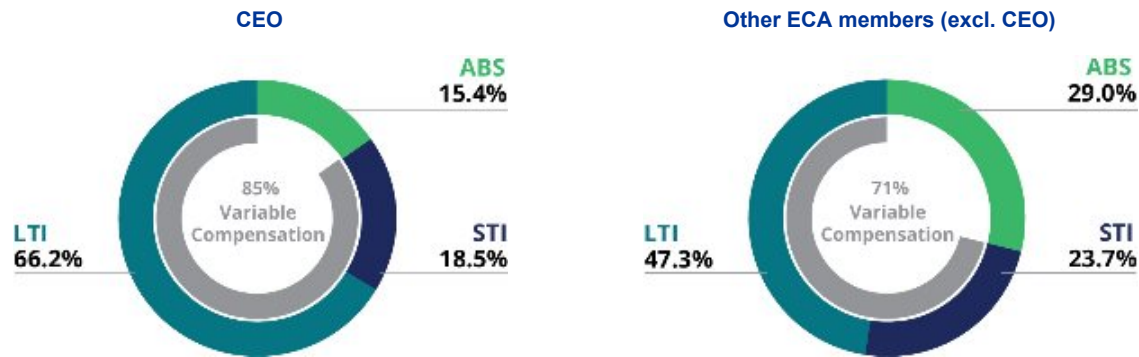
Exhibit 11

Variable Compensation

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

Variable compensation represents a large majority of total direct compensation for ECA members. At target opportunity, the variable compensation represents 85% of the CEO's total direct compensation. The average variable compensation of the other ECA members represents 71% of total direct compensation.

Exhibit 12
Mix of Fixed and Variable Compensation at Target



CEO ratios and average ratios of other ECA members are based on 2021 values of ABS, target STI and target 2021-2023 LTI. Graphics exclude retirement savings and insurance benefits as well as any other benefits.

CEO Compensation

Our CEO's compensation is aligned with Alcon's pay - for - performance philosophy and is reflected in the pay mix for Mr. Endicott's target direct compensation. Approximately 85% of his pay is at risk with 79% of his at risk pay tied to the achievement of long-term strategic goals.

Prior to the 2021 AGM, Mr. Endicott received a base salary increase of 3% in line with the average base salary increase received by all other Alcon associates with no increase to either his STI or LTI targets.

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

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

Short-Term Incentive

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

Exhibit 13

STI payout opportunity as a % of annual base salary	at target	at maximum
David J. Endicott, CEO	120 %	240 %
Other members of the ECA (average)	83 %	166 %

The financial metrics for the short-term performance in 2021 are set out in the Exhibit below. The payout of STI is calculated by multiplying the target award by the BPF and IPF.

Exhibit 14

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

¹ Financial achievements are measured in constant exchange rates to reflect operational performance.

In 2021, the Board and CC incorporated the achievement of ESG objectives in determining the IPF for ECA members and overall STI payout. Each ECA member has five individual performance goals with each having specific measurable objectives and initiatives. The five focus areas are as outlined below:

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

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

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

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

Long-Term Incentive

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

Exhibit 15

LTI payout opportunity as a % of annual base salary	Below threshold	at target	at maximum ¹
David J. Endicott, CEO	0%	430%	860%
Other members of the ECA (average)	0%	165%	330%

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

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

Exhibit 16

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

¹ CAGR means Compound Annual Growth Rate.

² Financial achievements are measured in constant exchange rates to reflect operational performance.

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

⁴ The innovation scorecard for 2020-2022 includes 10 milestones: one sales-related; one related to the cost of a development program; and eight related to the timeline of achievements. Each milestone is tied to a key internal development project. The LTI payout for the innovation metric will depend upon the overall achievement of the 10 milestones, within the relevant performance period. The milestones established are approved by the Board's Innovation Committee.

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

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

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

Innovation – This metric is comprised of 10 milestones per annual cycle, typically five in both Surgical and Vision Care. Milestones are linked to internal development programs, measuring against one of four performance areas:

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

Each Innovation Scorecard cycle spans a rolling three-year period with performance milestones in each year. At the completion of each cycle, the Board's Innovation Committee evaluates milestone achievement against performance tiers set at the beginning of the cycle.

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

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

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

Benefits

All ECA members except one are enrolled in local benefit plans providing for retirement income savings and insurance for disability and loss of life. These plans are in line with local market practices and legislation and are subject to the Company's plan rules and policies. The ECA members and the Company pay statutory contributions. The sole ECA member with an employment contract governed by US law is enrolled in a Company-provided health plan.

Exhibit 17

<div>Retirement savings and insurance contributions</div> <div>Other benefits</div>	<div>Retirement and insurance benefits plan contributions provided in line with local market practice (most governed by legal provisions) - Company-paid:</div> <ul style="list-style-type: none"> • Contributions to retirement savings plan • Insurance premiums for disability and survivor benefits • Health insurance (only in the US) • Contributions to mandatory social security systems <ul style="list-style-type: none"> • Expense and representation allowance in line with Swiss market practice (covering small expenses) • Mandatory allowances for children and education (only in Switzerland) • Car allowance • International benefits (e.g. relocation cost, cost of living adjustments, settling in allowance, international health insurance, housing, schooling/education fees) in line with Alcon's global mobility policies
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Alcon is a global company headquartered in Switzerland with multinational operations and international business strategies. As a result, from time to time, executives are relocated to Switzerland or will be relocated from their home country. Relocated executives receive relocation support and are provided with international benefits in line with Alcon's global mobility and relocation policies (e.g. relocation support, tax and social security equalization, benefit equalization and other international benefits as appropriate).

Compensation Payments to the ECA Members

ECA Compensation Payments FY 2021

The following Exhibit 18 sets forth the total compensation received by the CEO (highest paid member of the ECA) and the aggregate total compensation received by all of the other ECA members for the period from January 1, 2021 to December 31, 2021. 2021 ECA payments are larger than 2020 ECA payments due to the following reasons:

- Superior 2021 performance (148%) resulting in above target STI payout compared to below target (75%) STI payout in 2020 due to the impact of the pandemic;
- Change in ECA members, including the appointment of a new ECA member and movement of two others to new roles and associated relocation expenses; and
- Year over year exchange rate impact.

The competition for specialized talent in the fields necessary for Alcon's success is significant and growing – particularly in the United States. Recent changes in the landscape for ophthalmic talent led the Company to assess potential vulnerabilities to competitive threats for talent. As a result of that assessment, Alcon made equity awards to certain key associates in its US organization, including an award to an ECA member, Sergio Duplan, based in the US. On February 17, 2021, the CC granted Mr. Duplan an award of Alcon Performance Share Units at a target opportunity equal to 1X his annual LTI award (USD 1,006,825). The award is 100% in Performance Share Units that cliff-vest after three years. The award is subject to the same performance conditions as our annual PSU award (sales growth; earnings growth; market share growth and achievement of key innovation metrics) and will forfeit if the executive is not employed by the company at the time of vesting. Alcon clawback/malus rules apply to the award.

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

Exhibit 18

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

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

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

³ The STI award disclosed is the amount earned for the performance year 2021. It will be paid in March 2022 in cash.

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

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

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

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

Alcon reports the 2021-2023 Long-Term Incentive Awards at the value at the time of grant in accordance with Swiss market practice. The basis for disclosure is the target value of the PSU at grant, reflecting the assumption that the awards will vest at 100% achievement, excluding any share price movement that may occur over the performance period. The future payout will be determined only after the conclusion of the performance period in three years (i.e. at the end of 2023) and the awards will vest in February 2024. The payout range is between 0% and 200% of the target number of PSUs.

ECA Compensation Payments FY 2020

The following Exhibit 19 sets forth the total compensation received by the CEO (highest paid member of the ECA) and the aggregate total compensation received by all of the other ECA members for the period from January 1, 2020 to December 31, 2020.

The compensation Alcon paid to the ECA members in 2020 remained within the approved Say-On-Pay budget.

Exhibit 19

Compensation	Fixed compensation		Variable compensation		Additional compensation	Totals in USD	Totals in CHF
	Annual base salary ¹	Pension and insurance ²	2020 short-term incentive ³	2020-2022 long-term incentive ⁴	Other benefits ⁵	Total compensation ⁶	Total compensation ⁶
From January 1, 2020 to December 31, 2020							
David J. Endicott, CEO	1,225,049	160,771	1,102,544	4,975,110	635,708	8,099,182	7,603,010
Aggregate amount of 6 other ECA members	4,088,839	791,750	2,546,652	6,651,981	3,209,254	17,288,476	16,229,349
Totals in USD ^{1,4}	5,313,888	952,521	3,649,196	11,627,091	3,844,962	25,387,658	
Totals in CHF ^{1,4}	4,988,348	894,168	3,425,639	10,914,792	3,609,412		23,832,358

¹ The total of Annual Base Salaries paid for the period from January 1, 2020 to December 31, 2020, including increases effective March 1 if applicable.

² The retirement pension and insurance benefits are the actual contributions paid to benefit plans for the period from January 1 to December 31, 2020. It also includes the amount of USD 37,303 for mandatory contributions paid by Alcon to governmental social security systems for all ECA members, which provide the ECA members with the right to the maximum future insured government pension benefit. The aforementioned amount is a portion of a total amount of contributions of USD 1,138,868 paid by Alcon to the social security systems.

³ The STI award disclosed is the amount earned for the performance year 2020. It was paid in March 2021 in cash.

⁴ The amounts of the 2020-2022 LTI awards represent the total value of the target number of PSUs granted to the seven active ECA members on February 18, 2020. The value of the PSUs is based on the closing price of the underlying Alcon share on the date of grant of USD 63.00.

⁵ The amounts of other benefits include the Company-paid benefits, values of benefits in kind, payments made and payments or values promised to ECA members for the relevant period in 2020, include benefits for international assignment (e.g. housing, schooling, tax and social security equalization, benefit equalization and other international relocation benefits).

⁶ Payments to ECA members were made in CHF and/or USD. The amounts were converted at the rate of 1.0 CHF : 1.06526 USD.

Outcome of Performance Awards 2021

2021 Short-Term Incentive

Alcon's operational and financial performance exceeded target level for all metrics. Sales in both Surgical and Vision Care franchises outperformed the target, driven by innovation, commercial execution and better than expected demand in certain markets.

In the Surgical franchise, Alcon's leadership in AT-IOLs was further cemented in the year with the success of the *Vivity* launch and continued popularity of *PanOptix*. In addition, our Equipment & Consumable offerings were able to help eye care professionals meet the rebounding consumer demand with optimized patient and surgeon experience.

In the Vision Care franchise our newest daily lens, *PRECISION1*, drove global share gains, and *DAILIES TOTAL1* remained a favorite premium daily lens of lens wearers. *Systane* remains a leading brand in the dry eye market, and *Pataday* continues to see growth following its OTC introduction in 2020.

Core operating income benefited from higher sales which outpaced increases in selling, general, and administrative expenses, resulting in improved operating leverage.

Free Cash Flow was above the target primarily due to the strong operating performance coupled with investments in manufacturing line expansion which led to improved inventory management.

Exhibit 20 shows the weighting, target, and payout level for the 2021 STI.

Exhibit 20

Performance metric	Weighting	2021 Target ¹ (\$ millions)	Payout Level ²	Weighted Payout ³
Third Party Net Sales	40%	7,938	138%	55%
Core Operating Income ⁴	40%	1,364	138%	55%
Free Cash Flow ⁴	20%	620	187%	37%
STI payout	100%			148%

¹ Target is expressed at the exchange rates prevalent at the time of Board approval.

² Financial achievement is measured in constant exchange rates to reflect operational performance. Impact of acquisitions, divestitures and certain non-recurring items may also be excluded from Actual achievement; in 2021, no discretion was applied in determining STI payout level.

³ Rounded to the nearest whole %.

⁴ Core Operating Income and Free Cash Flow are non-IFRS measures.

In 2021, the Board and CC incorporated the achievement of ESG objectives in determining the IPF for ECA members and their overall STI payout. Each ECA member has five individual performance goals with each having specific measurable objectives and initiatives. The five focus areas are as outlined below:

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

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

For 2021, the CEO's individual performance goals assessment is outlined below:

- Gained market share and delivered growth compared to 2019 significantly above market in both Surgical and Vision Care franchises; the Surgical business grew +13% and sales of Contact Lenses grew +9%;
- Announced intention to acquire Ivantis (transaction closed January 7, 2022), a leader in the minimally invasive glaucoma surgery space and also the US commercialization rights to Simbrinza (from Novartis), deepening the Company's position in the glaucoma market;
- Advanced innovation through strategic investment in internal and external research and development with the launch of 11 new products, including *Vivity*, *Vivity Toric*, *PRECISION1* for Astigmatism, *TOTAL30* Sphere and *Pataday* Once Daily Extra Strength;
- Completed separation activities from Novartis on schedule and under expected expense targets while advancing Alcon's transformation program to optimize cost structure and achieve greater organizational agility;
- Expanded access to eye care through physician training and education programs, advanced our environmental impact reduction strategies and delivered diversity and inclusion strategy and objectives to advance Alcon's ESG objectives; and
- Alcon's share price increased by 32% and outperformed industry peers and relevant indices resulting in an \$11 billion increase in shareholder value with our market capitalization reaching \$44 billion by year-end; in addition Alcon paid its first dividend to shareholders in May 2021.

Based on the Board and CC's assessment of the CEO's performance against his individual goals in 2021, Mr. Endicott's IPF was assessed at 120% resulting in an overall STI payout of 178% (148% BPF X 120% IPF) of target. An average IPF of 124% was determined for the other ECA members resulting in an average STI payout of 184% of target.

2019-2021 Long-Term Incentive

The 2019-2021 LTI awards for the CEO and other ECA members will vest in early 2022. As a result of Alcon being a division of Novartis prior to April 9, 2019, payouts under the program have been split into two periods (pre and post spin-off). For the first three month period while Alcon was a division of Novartis, ECA payouts were determined based upon overall Novartis performance, which is not disclosed in Alcon's 2021 Compensation Report.

For the thirty-three-month period from post spin-off to the end of the performance period in December 2021, PSUs were subject to Alcon stand-alone performance.

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

Sales CAGR Metric

Our superior sales performance over the three-year performance period was driven by significant market share gains from *PanOptix* and *Vivity* in the global AT-IOL market. We also grew market share in contact lenses driven by the launches of *PRECISION1* and *PRECISION1* for Astigmatism. This was partially offset by slower market growth due to COVID-19.

Core EPS CAGR Metric

Core EPS was up over the three-year performance period but did not reach the payout threshold primarily due to Covid-19 impact.

Share-of-Peer Metric

Share-of-Peer metric measures Alcon's market share of key product categories in the Surgical and Vision Care segments against a peer group of competitors. Market share performance is a relative performance measure based on independent, third-party market data, and is calculated as the change in share across the three-year period. For the 2019-2021 cycle, we significantly outperformed our targets and we continued to gain share in key product categories. In the global AT-IOL market, Alcon grew significantly ahead of peers driven by *PanOptix* and *Vivity*. In contact lenses, the launches of *PRECISION1* and *PRECISION1* for Astigmatism also helped us to take share in the fast-growing daily disposable SiHy segments. Alcon contact lenses have grown significantly ahead of the market since the first launch of *PRECISION1* in late 2019.

Innovation Metric

We have continued to execute on our research and development strategy during the pandemic and meet innovation milestones of Sales, Timeline and Total Product Cost set out for the 2019-2021 cycle, bolstered, in part, by the success of Alcon's *PanOptix* and the launch of *PRECISION1* and *TOTAL30*. For the 2019-2021 cycle, Alcon achieved a performance tier rating of "Exceeds Expectations" assigned by the Alcon Innovation Committee and a payout factor of 160%.

Exhibit 21

Performance metric	Weighting	Payout Level	Weighted Payout % (0-200%)
Third Party Net Sales CAGR ^{1, 2}	25 %	130 %	32.5 %
Core EPS CAGR ^{1, 2, 3}	25 %	0 %	0.0 %
Share of Peers	25 %	200 %	50.0 %
Innovation	25 %	160 %	40.0 %
PSU payout⁴			123.0 %

¹ Financial achievement is measured in constant exchange rates to reflect operational performance.

² Financial achievement is measured in constant exchange rates to reflect operational performance. Impact of acquisitions, divestitures and certain non-recurring items may also be excluded from Actual achievement.

³ Core EPS is a non-IFRS measure.

⁴ Rounded to the nearest whole %.

Based on our results, the performance factor for the 2019-2021 PSU award was 123%.

Fixed and Variable Compensation

The mix of fixed and variable compensation over the period from January 1, 2021 to December 31, 2021 is as follows:

Exhibit 22

Mix of Fixed and Variable Compensation at Actual 2021 STI Payout and 2021-2023 LTI at Grant



Average ratios are based on ABS, payout of 2021 STI (in March 2022) and grants of 2021-2023 LTI awards at grant value. Mix excludes retirement, pension and insurance benefits as well as any other benefits.

Equity Instruments Granted to the ECA Members

Equity Instruments Granted in FY 2021

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

Exhibit 23

	2021 PSUs based on the 2021-2023 LTI target Award ^{1,2,3}
Number of units granted to	
David J. Endicott, CEO	77,916
Other ECA members	116,961
Total	194,877

¹ The values of the awards in PSU are disclosed under "ECA compensation payments FY 2021" (Exhibit 18).

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

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

Equity Instruments Granted in FY 2020

The LTI awards (in PSUs) for the performance period 2020-2022 were granted on February 18, 2020 to the CEO and the six other members of the ECA. The number of PSU are set out in Exhibit 24 below. The values of the awards are based on the closing price of the underlying Alcon share on the date of grant and disclosed in section "ECA Compensation Payments FY 2020", Exhibit 19.

Exhibit 24

Number of units granted to	2020 RSUs based on the 2019 STI Award ¹	2020 PSUs based on the 2020-2022 LTI target Award ²
David J. Endicott, CEO	14,032	78,970
Other ECA members	19,320	105,587
Total	33,352	184,557

¹ Although these shares were granted based on 2019 STI awards, the number of RSUs that were to be granted to the ECA members were not available at the time the 2019 Compensation Report was published. They are included in Exhibit 24 for reference.

² The values of the awards in PSU are disclosed under "ECA compensation payments FY 2020" (Exhibit 19).

Share Ownership of the ECA Members

The number of Alcon shares or share-based units held by ECA members and "persons closely linked" (as defined below) to them as of each of December 31, 2021 and December 31, 2020 is set out in the Exhibit below. As of each of these dates, no ECA members, either individually or together with "persons closely linked", owned 1% or more of the outstanding shares of Alcon.

Exhibit 25

Number of units	December 31	Vested shares	Unvested RSUs	Unvested target PSUs	Total
David J. Endicott	2021	98,448	20,468	209,365	328,281
	2020	88,953	21,162	150,013	260,128
Laurent Attias	2021	7,435	2,310	35,510	45,255
	2020	16,820	2,602	29,922	49,344
Ian Bell	2021	7,164	7,190	48,148	62,502
	2020	19,527	7,508	39,266	66,301
Leon Sergio Duplan Fraustro	2021	4,980	6,492	59,824	71,296
	2020	16,530	8,174	38,610	63,314
Sue-Jean Lin	2021	20,474	11,152	33,857	65,483
	2020	NA	NA	NA	NA
Rajkumar Narayanan	2021	13,761	2,639	36,782	53,182
	2020	10,622	2,795	31,046	44,463
Tim C. Stonesifer	2021	13,568	4,989	125,124	143,681
	2020	20,000	4,989	93,611	118,600
Total	2021	165,830	55,240	548,610	769,680
	2020	200,693	56,286	432,293	689,272

Additional Disclosures

Employment Agreements

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

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

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

Payments to Current or Former Members of the ECA

During 2021, no payments (or waivers of claims) other than those set out in Exhibit 18 (including the related notes) under section "ECA Compensation Payments FY 2021" were made to current or former members of the ECA or to "persons closely linked" to them. Our President Global Business and Innovation departed Alcon on August 31, 2021 and no extraordinary payments were made to him upon his departure and all of his unvested LTI equity awards were forfeited upon his departure.

Loans to Members of the ECA

Alcon's Articles of Incorporation and corporate policies do not permit loans to current or former members of the ECA or to "persons closely linked" to them. As a result, no loans were granted in 2021, and none were outstanding as of December 31, 2021.

Persons Closely Linked

Persons closely linked to members of the ECA are (i) their spouse, (ii) their children below age 18, (iii) any legal entities that they own or otherwise control (iv) any legal or natural person who is acting as their fiduciary or agent and (v) family trusts.

Compensation Expense 2021

The total expense for the year 2021 for compensation awarded to ECA members, using International Financial Reporting Standards (IFRS) measurement rules, is presented in Note 25 to the Company's audited Consolidated Financial Statements. The numbers for compensation expense in Note 25 may differ from the numbers reported in this 2021 Compensation Report due to the accounting and disclosure standards applied.

Alcon Share-Based Units Awarded to Alcon Associates in 2021

In the financial year 2021, the total of approximately 1.9 million restricted shares, RSUs and target PSUs (all unvested) were granted, and approximately 1.3 million Alcon shares vested and were delivered to Alcon associates under the various equity-based incentive or participation plans. Current unvested equity instruments (restricted shares, RSUs and target PSUs) represent approximately 1% of issued shares. Alcon delivers treasury shares to associates to fulfill these obligations.

Board of Directors Compensation 2021

Compensation Framework

The Board compensation was set at a level that allowed for the attraction and appointment of high-caliber talent for Board roles with the relevant background and skills, including global experience in the medical devices and ophthalmology industry. The Board is comprised of both Swiss and international members.

Non-executive Board members are awarded a base fee. Further, they are entitled to additional fees for their roles of Chair and/or member on the Board committees. The Vice Chair also receives an additional fee. The Board Chair does not receive additional fees for work in committees. David J. Endicott, the CEO of Alcon, does not receive any fees for his Board membership. Mr. Endicott is compensated as a member of the ECA and his compensation is disclosed in section "ECA Compensation 2021."

The following table sets out the compensation for the non-executive members of the Board from the 2021 AGM to the 2022 AGM:

Exhibit 26

Board function	CHF	USD ¹
Annual base fee:		
Board Chair	950 000	1,039,012
Board member base fee (Board retainer fee)	200 000	218,739
Additional fees:		
Vice Chair	40 000	43,748
Chair of the Audit and Risk Committee	70 000	76,559
Chair of the Compensation Committee	50 000	54,685
Chair of the Governance and Nomination Committee	50 000	54,685
Chair of the Innovation Committee	50 000	54,685
Member of the Audit and Risk Committee	35 000	38,279
Member of the Compensation Committee	25 000	27,342
Member of the Governance and Nomination Committee	25 000	27,342
Member of the Innovation Committee	25 000	27,342

¹ Converted into USD at a rate of CHF 1.0 = USD 1.093697.

In 2021, the following framework applied to the compensation of non-executive Board members:

- Fifty percent of the total fees is paid in shares on a mandatory basis in two installments: September 2021 and March 2022;
- Fifty percent of the total fees is paid in cash in four installments: June, September and December 2021 and March 2022;
- Each Board member may elect to receive up to one hundred percent of their fees in shares;
- The fees are paid in Swiss Francs;
- The shares delivered are unrestricted (free shares) listed on the SIX Swiss Exchange;
- The members of the Board are subject to share ownership requirements (see below);
- Board members bear the full cost of their own social security contributions; and
- Board members do not receive variable compensation, in line with their focus on corporate strategy, supervision and governance. Their payment in shares is in unrestricted shares. They do not receive share options or other share-based instruments.

The general principles of compensation of the members of the Board are defined in our Articles of Incorporation. According to our Articles of Incorporation, Alcon may enter into agreements with members of the Board relating to their compensation for a fixed term of up to one year.

Share Ownership Requirements for Members of the Board

Board members are committed to align their interests with those of shareholders. The Board has set forth share ownership requirements which apply to the non-executive members of the Board.

Each member of the Board, including the Board Chair, is required to own Alcon shares that represent the value of his or her annual base fee. This requirement must be met within four years in office.

Exhibit 27

Board level	Share ownership requirement
Board Chair	1 times annual base fee, within 4 years
Other Board members	1 times annual base fee, within 4 years

Each member of the Board has met or is on track to meet the ownership requirement. Board members are prohibited from hedging or pledging their ownership positions in Alcon shares that are part of the share ownership requirement.

Compensation Governance

Authority for Board Compensation Decisions

Decisions regarding Board compensation are taken by the Board upon proposals from the CC. The CC's proposals are based on analysis and review of compensation practices, policies and benchmarking information provided by external compensation advisors.

The Board is responsible for approving the Compensation Report and for proposing the aggregate budget of Board compensation subject to a shareholders' vote at the applicable AGM.

Exhibit 28

Authority levels in Board compensation	CC	Board	AGM
Board compensation policy and principles	P	A	
Board Chair compensation	P	A	
Other Board member compensation	P	A	
Share ownership requirements for Board members	P	A	
Maximum aggregate compensation of the Board members	R	P	A ¹
Compensation Report of the company	R	P	A ²

R Recommend P Propose A Approve

¹ binding vote

² advisory vote

The Corporate Governance Report in Item 6.C. Board Practices of this Annual Report provides further details to the authorities of the CC.

Independence of Members of the Compensation Committee

Each of the members of the CC meets the independence criteria set forth in our Board Regulations. Effective from the 2021 AGM, the CC has been comprised of the following three members: Karen J. May (Chair), Thomas H. Glanzmann, and Ines Pöschel. At each AGM, the shareholders elect the CC Chair and its members individually for a term of office of one year. Our Articles of Incorporation permit re-election. The 2021 Corporate Governance Report in Item 6.B. of the Alcon 2021 Annual Report provides details regarding the members of the Board and the independence criteria for Board members. The Board Chair, the CEO and the Secretary of the Board attend the CC meetings by invitation. None is present when decisions relating to their respective interests are taken.

The Compensation Committee's External Advisors

During 2021, the CC retained Willis Towers Watson ("WTW") as its external compensation advisor. For the same period, the CC also retained HCM International (Switzerland) ("HCM") for advice with regard to Swiss compensation matters. The CC appointed each of them in 2019 following a thorough process of evaluating proposals from various consulting firms. During 2020, WTW provided additional services to Alcon related to, among other things, compensation programs, pension and benefit plans. During the same period, HCM did not provide additional services to Alcon.

At the end of 2021, the CC conducted a review of the support received from the selected external advisors and is satisfied with the result of the work completed in 2021. At least annually, the CC will evaluate the quality of the consulting services received and the need to use specific advisors.

Compensation of the Members of the Board of Directors

Board Compensation FY 2021

The following Exhibit 29 sets out the total compensation received by non-executive members of the Board during 2021.

The disclosed compensation represents (i) the fees paid to the members of the Board in March 2021, which was the last installment of the fees for their term of office up to the 2021 AGM, and (ii) the fees paid up to December 31, 2021 for their term of office from the 2021 AGM to the 2022 AGM.

The installment of the fees paid in March 2021 completed the delivery of all fees due for the term of office from 2020 AGM to the 2021 AGM. The total of fees paid for that term remained within the approved budget.

The fees paid between the 2021 AGM and December 31, 2021 to the members of the Board of Directors are only a part of the total fees they will receive for the service on the Board during the term of office from the 2021 AGM to the 2022 AGM (three of four installments). In accordance with our normal payout schedule, a further payment of fees in cash and shares will be made in March 2022. Total 2021 Board fees are higher than in 2020 primarily due to fees received by members of the Governance and Nomination Committee for the full year of 2021 as compared to a partial year in 2020. The board fee structure did not change from 2020 to 2021.

The CEO of Alcon, David J. Endicott, is not included in this Exhibit 29 as he is not compensated for his Board membership. Mr. Endicott is compensated as a member of the ECA and his compensation is disclosed in section "ECA Compensation 2021."

Exhibit 29

Board members, functions ¹	Payment in cash	Tax and other cash ²	Payment in shares ³	Number of shares ⁴	Other payments ⁵	Total fees 2021
F. Michael Ball Board Chair, member GNC	0	259,825	779,188	10,169	—	1,039,013
Lynn D. Bleil Member ARC and IC	106,635	53,335	159,937	2,152	—	319,907
Arthur B. Cummings Member IC	123,041	37,135	85,906	1,120	37,096	283,178
Thomas H. Glanzmann Chair IC, member GNC, CC	0	19,874	308,236	4,023	4,987	333,097
D. Keith Grossman Vice Chair, Chair GNC, member IC	0	89,579	268,607	3,518	—	358,186
Scott H. Maw Chair ARC	0	73,936	221,362	2,889	—	295,298
Karen J. May Chair CC, member ARC	0	78,005	233,699	3,050	—	311,704
Ines Pöschel Member GNC, CC	95,698	8,445	182,951	2,419	4,987	292,081
Dieter P. Spälti Member ARC	0	15,677	241,342	3,150	4,987	262,006
Total fees paid in 2021 in USD ⁶	325,374	635,811	2,481,228	32,490	52,057	3,494,470
Total fees paid in 2021 in CHF ⁷	297,499	581,341	2,268,661	32,490	47,597	3,195,099

¹ Board Committees: "ARC" Audit and Risk Committee; "CC" Compensation Committee; "GNC" Governance and Nomination Committee; "IC" Innovation Committee. F. Michael Ball does not receive an additional fee as a member of the GNC.

² These amounts represent the values of tax and, if applicable, social security due upon the allocation of shares, which were delivered in cash to the accounts. They were then deducted and paid to the applicable authorities. Further, the amounts include the residual amount of cash resulting from rounding down the number of shares to the next whole share.

³ The amounts in USD represent the converted value in CHF based on the Alcon shares granted on March 11, 2021 at the closing price of CHF 64.10 per share on the date of grant and on September 3, 2021, at the closing price of CHF 77.24. The shares granted are listed on the SIX Swiss Exchange.

⁴ The total number of shares reported were delivered to each Board member in (i) the second installment of the fee in shares in March 2021 (2020 AGM - 2021 AGM), and (ii) the first installment of the fee in shares (term 2021 AGM - 2022 AGM). The second and final installment in shares for the services from the 2021 AGM to the 2022 AGM will be delivered in March 2022.

⁵ Includes (i) an amount of USD 19,948 for mandatory employer contributions paid by Alcon to governmental social security systems, which provides the relevant members of the Board with a right to the maximum future insured government pension benefit (this amount is a part of total mandatory employer contributions of USD 97,086 to the governmental social security systems) and (ii) USD 32,109 paid to Dr. Cummings (or his related entities) for consulting services, including assistance with clinical trials that Dr. Cummings, as an ophthalmologist, provided to Alcon (these services were unrelated to Dr. Cummings' board service).

⁶ All amounts include the payments made and the shares delivered in March 2021 as installment of the fee for the term of office 2020 AGM - 2021 AGM.

⁷ The payments in cash were made in Swiss Francs (CHF). For consistency they are reported in USD as all compensation in this 2021 Compensation Report. The amounts in CHF were converted to USD at the exchange rate of 1.0 CHF : 1.093697 USD. All amounts are before deductions of social security contributions and income tax paid by the Board members.

Board Compensation FY 2020

The following Exhibit 30 sets out the total compensation received by non-executive members of the Board during 2020.

The disclosed compensation represents (i) the fees paid to the members of the Board in March 2020, which was the last installment of the fees for their term of office up to the 2020 AGM, and (ii) the fees paid up to December 31, 2020 for their term of office from the 2020 AGM to the 2021 AGM.

The installment of the fees paid in March 2020 completed the delivery of all fees due for the term of office from spin-off on April 9, 2019 to the 2020 AGM. The total of fees paid for that term remained within the approved budget.

The fees paid between the 2020 AGM and December 31, 2020 to the members of the Board of Directors are only a part of the total fees they received for the service on the Board during the term of office from the 2020 AGM to the 2021 AGM (three of four installments). In accordance with our normal payout schedule, a further payment of fees in cash and shares was made in March 2021.

The CEO of Alcon, David J. Endicott, is not included in this Exhibit as he is not compensated for his Board membership.

Exhibit 30

Board members, functions ¹	Payment in cash	Tax and other cash ²	Payment in shares ³	Number of shares ⁴	Other payments ⁵	Total fees 2020
F. Michael Ball Board Chair, member GNC	126,500	189,784	569,213	10,476	—	885,497
Lynn D. Bleil Member ARC and IC	17,310	60,637	181,710	3,346	—	259,657
Arthur B. Cummings Member IC	119,842	37,220	82,623	1,522	59,603	299,288
Thomas H. Glanzmann Chair IC, member GNC, CC		16,405	289,857	5,339	4,794	311,056
D. Keith Grossman Vice Chair, Chair GNC, member CC, IC	38,616	64,639	193,687	3,564	—	296,942
Scott H. Maw Chair ARC		71,945	215,676	3,973	—	287,621
Karen J. May Chair CC, member ARC		75,927	227,673	4,194	—	303,600
Ines Pöschel Member GNC, CC	63,916	6,378	172,053	3,168	4,794	247,141
Dieter P. Spälti Member ARC		15,227	235,108	4,331	4,794	255,129
Total fees paid in 2020 in USD ⁶	366,184	538,162	2,167,600	39,913	73,985	3,145,931
Total fees paid in 2020 in CHF ⁷	343,751	505,193	2,034,808	39,913	69,453	2,953,205

1. Board Committees: "ARC" Audit and Risk Committee; "CC" Compensation Committee; "GNC" Governance and Nomination Committee; "IC" Innovation Committee. F. Michael Ball does not receive an additional fee as a member of the GNC.

2. These amounts represent the values of tax and, if applicable, social security due upon the allocation of shares, which were delivered in cash to the accounts. They were then deducted and paid to the applicable authorities. Further, the amounts include the residual amount of cash resulting from rounding down the number of shares to the next whole share.

3. The amounts in USD represent the converted value in CHF based on the Alcon shares granted on March 11, 2020 at the closing price of CHF 50.82 per share on the date of grant and on September 11, 2020, at the closing price of CHF 51.10 on September 10, 2020. The shares granted are listed on the SIX Swiss Exchange.

4. The total number of shares reported were delivered to each Board member in (i) the second installment of the fee in shares in March 2020 (term April 9, 2019 - 2020 AGM), and (ii) the first installment of the fee in shares (term 2020 AGM - 2021 AGM). The second and final installment in shares for the services from the 2020 AGM to the 2021 AGM were delivered in March 2021.

5. Includes (i) an amount of USD 19,176 for mandatory employer contributions paid by Alcon to governmental social security systems, which provides the relevant members of the Board with a right to the maximum future insured government pension benefit (this amount is a part of total mandatory employer contributions of USD 87,533 to the governmental social security systems) and (ii) USD 54,809 paid to Dr. Cummings (or his related entities) for consulting services, including assistance with clinical trials that Dr. Cummings, as an ophthalmologist, provided to Alcon (these services were unrelated to Dr. Cummings' board service).

6. All amounts include the payments made and the shares delivered in March 2020 as installment of the fee for the term of office April 9, 2019 - 2020 AGM.

⁷ The payments in cash were made in Swiss Francs (CHF). For consistency they are reported in USD as all compensation in this 2020 Compensation Report. The amounts in CHF were converted to USD at the exchange rate of 1.0 CHF : 1.06526 USD. All amounts are before deductions of social security contributions and income tax paid by the Board members.

Share Ownership of the Members of the Board of Directors

The number of Alcon shares held by members of the Board and “persons closely linked” to them as of December 31, 2021 are set out in the Exhibit below. As of this same date, no Board member, either individually or together with “persons closely linked”, owned 1% or more of the outstanding shares of Alcon. The CEO of Alcon and Board member, David J. Endicott, is not included in this Exhibit as his share ownership is disclosed in Exhibit 25.

The number of shares held as of December 31, 2020 is shown for comparison.

Exhibit 31

Board member	2021 Total shares	2020 Total shares
F. Michael Ball	33,847	23,678
D. Keith Grossman	7,998	4,480
Lynn D. Bleil	6,729	4,577
Arthur B. Cummings	3,429	2,309
Thomas H. Glanzmann	11,835	7,812
Scott H. Maw	8,567	5,678
Karen J. May	19,044	15,994
Ines Pöschel	6,746	4,847
Dieter P. Spälti	16,341	13,191
Total	114,536	82,566

Additional Disclosures

Loans to Board Members

Alcon's Articles of Incorporation and corporate policies do not permit loans to current or former members of the Board or to persons closely linked to them. No loans were granted in 2021, and none were outstanding as of December 31, 2021.

Other Payments to Board Members

No payments (or waivers of claims) other than those set out in Exhibit 29 (including the related notes) under section "Board compensation FY 2021" were made to current Board members or to persons closely linked to them.

Persons Closely Linked

Persons closely linked to members of the Board are (i) their spouse, (ii) their children below age 18, (iii) any legal entities that they own or otherwise control (iv) any legal or natural person who is acting as their fiduciary or agent and (v) family trusts.

Payments to Former Board Members

None.

Outlook for 2022

Compensation Philosophy and Principles

The Company will continue to adopt a compensation philosophy which:

- Ensures a broadly competitive level of remuneration appropriate to each executives' scale of responsibility and individual performance;
- Attracts, retains and motivates a world-class executive team to drive performance;
- Supports long-term value creation for shareholders;
- Considers the geographic and industry-specific nature of our talent pool and the medical device industry;
- Aligns the compensation program for the senior executives with the broader management and employee population;
- Fully embraces Swiss governance expectations and follows principles of simplicity and transparency; and
- Links pay to achievement of ESG objectives through the STI plan.

Exhibit 32

Pay - for - performance	<ul style="list-style-type: none">• Programs are designed to compensate short-term performance and long-term success• Rewards are achieved if financial and non-financial performance metrics are met
Alignment with shareholders	<ul style="list-style-type: none">• A significant part of compensation is delivered in Alcon equity• Executives are expected to hold a meaningful level of Alcon shares
Market competitiveness	<ul style="list-style-type: none">• Overall compensation is competitive with other companies in the medical device and other industries in which Alcon competes for talent• Total opportunity is targeted at market median
Motivation and retention	<ul style="list-style-type: none">• Compensation is designed to attract, retain and motivate executives to achieve Company objectives• Compensation is reviewed periodically to ensure competitiveness and alignment to key strategic objectives

ECA Compensation

The CC is committed to a pay-for-performance framework to align Company and executive performance with shareholder interests. Following a thorough review of Alcon's compensation structures during 2021, we have made refinements to our overall compensation structures to better reflect Alcon's status as an independent, stand-alone company.

Headquartered in Switzerland, Alcon operates on a truly global basis. Our main business competitors are found in both Europe and North America, which is where we compete for talent. Consequently, our executive compensation framework has been benchmarked against a carefully selected peer group, consisting of European and North American companies with a blend of similar size, industry and geographic characteristics to Alcon. The inclusion of European and North American companies reflects our global footprint, business mix and source for management talent. Although Alcon is headquartered in Switzerland, a significant portion of our sales, management team and our associate population are in the US. The US is the largest pool for both medical device and ophthalmology talent and it is therefore critical that Alcon is able to attract and retain key talent especially from the US. As a result, our CC has selected a blended Peer Group of North American and European companies (58% US and 42% outside US) to balance the European compensation structure with a need to attract and retain US talent. While we do not pay as much as our US competitors, we desire to stay close to the median of the blended Peer Group. Based on the Company's business strategy, compensation philosophy and the analysis of peer group compensation practices, below are the key features of ECA compensation for 2022:

- No compensation increase for the CEO including base salary and short and long term incentive targets;
- Same overall structure of ECA compensation as compared to 2021 (base pay, STI, LTI and benefits);
- Broadly no significant change to the ECA members' compensation levels;
- Continuation of robust share ownership requirements; and
- No material changes to benefits provisions.

Board Compensation

The Board compensation framework will remain unchanged for the upcoming term of office from the 2022 AGM to the 2023 AGM, including:

- The overall framework of Board compensation from the 2021 AGM to the 2022 AGM will be carried forward to the term from the 2022 AGM to 2023 AGM;
- The Board Chair fee and Board member fees will remain unchanged; and
- The payment of fifty percent in shares (mandatory) and a voluntary election of a higher percentage in shares will continue.

In 2021, the Board conducted a benchmarking study of Alcon's Board pay against other SMI companies and determined that our Board pay is below the median level of SMI companies. Nonetheless, the Board made the decision to not propose any compensation change at the 2022 AGM for the 2022 - 2023 AGM term. Our Board's pay has not changed in Alcon's history as a public Company. The CC and the Board will reconsider possible changes to Board compensation in 2023 for future terms.

Shareholder Vote at the 2022 AGM

In accordance with Article 29 of the Articles of Incorporation (<http://investor.alcon.com/governance/default.aspx>), the Board will ask shareholders at the 2022 AGM meeting to cast a binding vote on:

- The aggregate amount of compensation payable to non-executive members of the Board for their term of office from the 2022 AGM to the 2023 AGM; and
- The aggregate amount of compensation payable to ECA members in the financial year 2023.

In addition, the Board will ask shareholders to cast an advisory vote on the 2021 Compensation Report.

The procedures of voting on the compensation of ECA members and the Board are defined in our Articles of Incorporation. Our Articles allow for an additional amount of compensation to be used when promoting or adding new members to the ECA.

The Exhibit below depicts the proposal for the 2022 AGM and the respective period of the compensation affected by the vote.

Exhibit 33

Compensation Proposals for Shareholder Approval at 2022 AGM



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6.C. BOARD PRACTICE

Corporate Governance

Group Structure and Shareholders

Operational Group Structure

The Company, with its registered office at Rue Louis-d'Affry 6, 1701 Fribourg, Switzerland, is a corporation organized under Swiss law and is the ultimate parent company of Alcon. As of December 31, 2021, the market capitalization of the Company was \$42.696 billion (CHF 39.570 billion).

Alcon is the global leader in eye care with \$8.2 billion in net sales during the year ended December 31, 2021. We research, develop, manufacture, distribute and sell a full suite of eye care products within two key businesses: Surgical and Vision Care. Our Surgical business is focused on ophthalmic products for cataract surgery, vitreoretinal surgery, refractive laser surgery and glaucoma surgery. Our Vision Care business is comprised of various contact lenses and a comprehensive portfolio of ocular health products, including products for dry eye, glaucoma, contact lens care and ocular allergies, as well as ocular vitamins and redness relievers. Further information is available under "Item 4. Information on the Company" and Note 5 to the Consolidated Financial Statements.

Listed and Non-listed Companies Belonging to the Alcon Group

The registered shares of the Company are listed on the SIX Swiss Exchange (Valor 43249246 / ISIN code CH0432492467) and the New York Stock Exchange (CUSIP code H01301128). The Company owns directly or indirectly all consolidated entities of Alcon, none of which has its shares otherwise listed.

The following table lists the most significant subsidiaries of the Company, including those entities with total assets or net sales to third parties in excess of 5% of the Company's consolidated total assets or net sales to third parties, as applicable, at December 31, 2021. The referenced share capital may not reflect the taxable share capital and does not include any paid in surplus. Further information regarding the Company's subsidiaries is disclosed in Note 28 of the Consolidated Financial Statements. The combination of the Company's subsidiaries disclosed in the table below and in Note 28 of the Consolidated Financial Statements does not cover all subsidiaries of the Company.

Country of Organization/ Entity Name	Equity Interest	Principal Place of Business	Share Capital
China			
Alcon (China) Ophthalmic Product Co., Ltd.	100%	Beijing	USD 60,000,000
Japan			
Alcon Japan Ltd.	100%	Tokyo	JPY 500,000,000
Switzerland			
Alcon Pharmaceuticals Ltd.	100%	Fribourg	CHF 200,000
United States			
Alcon Finance Corporation	100%	Fort Worth, TX	USD 1
Alcon Laboratories, Inc.	100%	Fort Worth, TX	USD 1
Alcon Research, LLC	100%	Fort Worth, TX	USD 1,000
Alcon Vision, LLC	100%	Fort Worth, TX	USD 1,000

Significant Shareholders

According to the Alcon share register, the following nominee shareholders held more than 3% of the share capital of Alcon Inc. as of December 31, 2021:

Holder	Number of Shares	Percentage
Chase Nominee Ltd., London (UK)	38,272,135.00	7.65%
Cede & Co (DTC nominee), New York, NY (USA)	101,901,633.00	20.39%
Nortrust Nominees Limited, London (UK)	21,770,181	4.36%

In addition, according solely to disclosure of shareholdings notifications filed with (i) Alcon and the SIX Swiss Exchange ("SIX Threshold Notifications") pursuant to the obligations set forth in the Swiss Federal Act on Financial Market Infrastructure and Market Conduct in Securities and Derivatives Trading ("FMIA") and the rules and regulations promulgated thereunder or (ii) the SEC, there are two shareholders that held shares representing at least 3% of the Company's total share capital as of December 31, 2021, but was not registered with the Alcon share register. These shareholders are identified in the table below.

The information required to be included in the SIX Threshold Notifications regarding this shareholder varies from the information required to be included in beneficial ownership statements filed with the SEC ("SEC Notification").

Interested persons can access the relevant SIX Threshold Notifications online at the SIX Swiss Exchange: <https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/>

The below table shows the information available to the Company, based on both notification regimes, with respect to shareholders reported to have significant positions in Alcon's share capital as of December 31, 2021:

Holder	Number of shares and voting rights as per SIX Threshold Notification	Percentage as per SIX Threshold Notification ¹	Number of shares beneficially owned as per SEC Notification ²	Percentage as per SEC Notification ²
BlackRock, Inc. c/o BlackRock Investment Management (UK) Limited 12 Throgmorton Ave, London, EC2N 2DL, UK	24,679,231 ³	5.06 %	N/A	N/A
WCM Investment Management, LLC 281 Brooks St Laguna Beach, CA 92651 USA	N/A	N/A	26,016,575 ⁴	5.21% ⁴

¹ Percentages indicated in this column have been established based on the share capital of the Company registered with the commercial register of the Canton of Fribourg on the date on which the respective disclosure obligation pursuant to the FMIA was triggered. Furthermore, according to the FMIA, this shareholder is required to notify Alcon and the SIX Swiss Exchange only at the time it reaches, exceeds or falls below any of the thresholds set forth in the FMIA; therefore, its shareholding as of December 31, 2021 may differ from the figures indicated as per the contents of the relevant SIX Threshold Notification.

² In general, under SEC rules, "beneficial ownership", for the purposes of this column, refers to shares that an entity had the power to vote or the power to dispose of and shares that such entity or individual had the right to acquire within 60 days after December 31, 2021. Information in this column is current as of February, 11, 2022.

³ Based solely on a SIX Threshold Notification dated November 9, 2019. This figure does not include its derivative position.

⁴ Based solely on a Schedule 13G filed with the SEC on February 10, 2022.

Cross-Shareholdings

Neither the Company nor any of its consolidated entities has any shareholdings exceeding 5% of the holdings of capital or voting rights in any entity that also has shareholdings exceeding 5% of the holdings of the capital or voting rights in the Company or any of its consolidated entities.

Capital Structure

Share Capital

As of December 31, 2021, the share capital of Alcon Inc. was CHF 19,988,000, fully paid-in and divided into 499,700,000 registered shares, each with a nominal value of CHF 0.04.

Authorized and Conditional Share Capital

On January 29, 2019, the Company's annual general meeting approved the creation of an authorized share capital. According to this shareholder resolution, the Board was authorized, at any time until January 29, 2021, to increase the Company's share capital by a maximum of CHF 977,400 through the issue of up to 24,435,000 fully paid up new shares of CHF 0.04 nominal value each for the purpose of any share-based incentive or other participation plans, schemes or arrangements for directors, associates or advisors of the Company or its consolidated subsidiaries ("Employees Participation Plans").

The Board resolved on November 19, 2019 to increase the share capital by CHF 120,000 through the issuance of 3,000,000 new registered shares under the authorized share capital in order to comply with Alcon's obligations under the relevant Employees Participation Plans.

On November 10, 2020, the Board resolved to further increase the share capital by CHF 320,000 through the issuance of 8,000,000 new registered shares under the remaining authority available under the authorized share capital, i.e. 21,435,000 shares, in order to comply with Alcon's obligations under the relevant Employees Participation Plans.

The remaining authority to issue new registered shares under the authorized share capital expired on January 29, 2021. As of December 31, 2021, the Company did not have authorized share capital available.

The Company did not have any conditional share capital available on December 31, 2021.

Changes in Capital

The Company was formed on September 21, 2018 with a share capital of CHF 100,000 divided into 2,500,000 registered shares with a nominal value of CHF 0.04 each. In view of the contemplated Spin-off from the Novartis group, the Company's share capital was increased on January 29, 2019 to CHF 19,548,000 divided into 488,700,000 registered shares with a par value of CHF 0.04 each. Following the two successive increases through the authorized share capital, as described above under "Authorized and Conditional Share Capital", the share capital of the Company was, as of December 31, 2021, CHF 19,988,000 divided into 499,700,000 registered shares.

Shares, Participation Certificates and Profit-sharing Certificates

The Company has a single class of shares, being registered shares in the form of uncertificated securities (in the sense of the Swiss Code of Obligations). A portion of these uncertificated shares is issued as intermediated securities (*titres intermédiés*) within the meaning of the Swiss Federal Intermediated Securities Act via the settlement system operated by SIX SIS, with the remaining shares directly held through Computershare Trust Company, N.A. in the US (including shares held through Computershare Trust Company, N.A. via DTC). All Alcon shares have equal voting rights and carry equal entitlements to dividends. No participation certificates (*bons de participations*) or profit-sharing certificates (*bons de jouissance*) have been issued.

Based solely upon shares registered in the Alcon share registry, as of December 31, 2021, approximately 17.3% of the Company's total share capital was held in Switzerland by 77,110 registered shareholders.

Limitations on Transferability and Nominees Registrations

The Articles of Incorporation of the Company do not provide for any limitation on transferability of shares or nominees registration.

Convertible Bonds and Options

As of December 31, 2021, Alcon did not have any convertible bonds, warrants, options or other securities granting rights to Alcon shares.

Board of Directors

Composition

The Board consists of eight to 13 members according to the Articles of Incorporation. As of December 31, 2021, the size of the Board was 10 members and the Board was comprised of the following members:



Age: **66**
Citizenship:
Canada and United States
Year of initial appointment:
2019
Expiration of current term of office:
2022

F. Michael Ball, Chairman

A seasoned healthcare executive with nearly four decades of experience with global healthcare companies, including nearly a decade as the CEO of medical device and pharmaceutical companies, F. Michael Ball brings extensive executive leadership experience as well as in-depth industry and Alcon-specific knowledge to the Board. He previously held the position of Chief Executive Officer of the Alcon Division and served as a member of the Novartis Executive Committee from February 1, 2016 until June 30, 2018. He previously served as Chief Executive Officer of Hospira, Inc. from 2011 to 2015. Prior to that, Mr. Ball held a number of senior leadership positions at Allergan, Inc., including President from 2006 to 2011. Before joining Allergan, Inc. in 1995, he held roles of increasing responsibility in marketing and sales at Syntex Corporation and Eli Lilly & Co. Mr. Ball served on the board of directors of several organizations, including Kythera Biopharmaceuticals Inc., Hospira, Inc., IntraLase Corp., AdvaMed and sTec, Inc. He began his career in the healthcare industry in 1981. Mr. Ball has been a member of the board of directors of the Ophthalmology Foundation since 2021.

He holds a Bachelor of Science and a Master of Business Administration from Queen's University in Canada.
Key Competencies: Global Business Operations, Healthcare Industry and Marketing



Age: **58**
Citizenship:
United States
Year of initial appointment:
2019
Expiration of current term of office:
2022

Lynn D. Bleil

An experienced healthcare industry consultant with nearly three decades of experience as a Senior Partner at McKinsey & Company combined with her valuable experience as a director of publicly-held healthcare and life sciences companies, Lynn D. Bleil brings to the Board extensive US and Swiss experience, strategy and leadership. Ms. Bleil has been a member of the boards of directors of Stericycle, Inc. since 2015 (where she chairs the Nominating & Governance Committee), Sonova Holding AG since 2016 and Amicus Therapeutics, Inc. since 2018. She is a former member of the board of directors of DST Systems Inc. and Auspex Pharmaceuticals, Inc. (until their sale to SS&C Technologies Holdings, Inc. and Teva Pharmaceutical Industries, Ltd., respectively). From 1985 through 2013, Ms. Bleil was a Senior Partner at McKinsey & Company.

Ms. Bleil holds a Bachelor of Science in Chemical Engineering from Princeton University and a Master of Business Administration from the Stanford Graduate School of Business, both in the United States.
Key Competencies: Financial, Healthcare Industry and Regulatory/Public Policy



Age: **59**

Citizenship:
Ireland and South Africa

Year of initial
appointment:
2019

Expiration of current
term of office:
2022

Arthur Cummings, M.D.

As a native of South Africa with a large ophthalmology practice in Ireland whose opinion is frequently sought by innovators in ophthalmology, Arthur Cummings, M.D. brings to the Board an international perspective of a physician entrepreneur and practical first-hand knowledge of the innovation that ophthalmologists seek. Dr. Cummings has been Consultant Ophthalmologist at Beacon Hospital, since 2007, and Owner and Medical Director at Wellington Eye Clinic, since 1998, both in Dublin, Ireland. Also, he has been Owner of Arthur Cummings Eye Clinic Ltd. since 2014.

Dr. Cummings holds a Bachelor of Science in Medicine and Surgery (MB. ChB.) and a Master of Medicine in Ophthalmology (M. Med) from the University of Pretoria, South Africa. Dr. Cummings is a Fellow of the College of Surgeons in South Africa (FCS SA) in Ophthalmology and a Fellow of the Royal College of Surgeons of Edinburgh (FRCSEd) in Ophthalmology.

Key Competencies: Healthcare Industry, Marketing and Technology



Age: **56**

Citizenship:
United States

Year of initial
appointment:
2019

Expiration of current
term of office:
2022

David J. Endicott

A lifelong healthcare executive with leadership experience at global pharmaceutical and medical device companies, David J. Endicott is the Chief Executive Officer of Alcon and brings to the Board an in-depth knowledge of Alcon as well as the healthcare industry. He joined the Alcon Division, when still operating under the Novartis group, in July 2016 as President, Commercial and Innovation, and Chief Operating Officer. Prior to joining the Alcon Division in 2016, Mr. Endicott was President of Hospira Infusion Systems, a Pfizer company. Before joining Hospira, Mr. Endicott served as an officer and executive committee member of Allergan, Inc. where he spent more than 25 years of his career in leadership roles across Europe, Asia and Latin America, as well as the U.S. Mr. Endicott served on the board of directors of Zeltiq, Inc. and Orexigen Therapeutics, Inc. He currently serves on the board of AdvaMed.

He holds an undergraduate degree in Chemistry from Whitman College and a Master's degree in Business Administration from the University of Southern California, both in the United States.

Key Competencies: Global Business Operations, Healthcare Industry and Marketing



Age: **63**

Citizenship:
Switzerland

Year of initial
appointment:
2019

Expiration of current
term of office:
2022

Thomas Glanzmann

Thomas Glanzmann, a venture capital investor with Medtech Ventures Partners where he evaluates and invests in medical device companies, brings those strategic insights and financial and risk management experience to the Board, as well as his decades long experience in the healthcare industry. Thomas Glanzmann is the Founder and has been a Partner at Medtech Ventures Partners since 2017. He has been a member of the board of directors of Grifols S.A. since 2006, including serving as Vice Chairman since 2017 and the President of its Sustainability Committee. He was President and Chief Executive Officer of Gambro AB from 2006 to 2011 and Chief Executive Officer and Managing Director of HemoCue AB from 2005 to 2006. Mr. Glanzmann was Senior Advisor to the Executive Chairman and Acting Managing Director of the World Economic Forum from 2004 to 2005. From 1988 to 2004, Mr. Glanzmann worked in various positions at Baxter International Inc., including President of Baxter Bioscience, Chief Executive Officer of Immuno International Co., Ltd. and President of Europe Biotech Group. In 2004, he was a Senior Vice President and Corporate Officer of Baxter Healthcare Corporation and Baxter World Trade Corporation.

He holds a Bachelor of Science in Political Science from Dartmouth College in the United States, a Master of Business Administration from the IMD Business School in Switzerland and a Board of Directors Certification from the UCLA Anderson School of Management in the United States.

Key Competencies: Global Business Management, Healthcare Industry and Technology



Age: **61**

Citizenship:
United States

Year of initial
appointment:
2019

Expiration of current
term of office:
2022

D. Keith Grossman

D. Keith Grossman, with more than 35 years of experience with medical devices and supplies, including as Chief Executive Officer of publicly held healthcare companies, brings to the Board his executive and board leadership experience as well as operational and strategic planning expertise in the healthcare industry. He has been the Chairman, Chief Executive Officer and President of Nevro, Inc. since March 2019. He has also been Chairman of the board of directors of Outset Medical, Inc. since 2014. He was President and Chief Executive Officer of Thoratec Corporation from 1996 to 2006 and from 2014 to 2015 and was a member of the board of directors from 1996 to 2015. Mr. Grossman was Chief Executive Officer and a member of the board of directors at Conceptus, Inc. from 2011 to 2013. He was Managing Director and Senior Advisor at TPG Capital, L.P. from 2007 to 2011. Mr. Grossman also served as a member of the board of directors of ViewRay, Inc. from 2018 to 2021, Zeltiq, Inc., as Lead Director, from 2013 to 2017, Intuitive Surgical, Inc. from 2004 to 2010 and Kyphon Inc. in 2007 and served on a number of private boards of directors.

Mr. Grossman holds a Bachelor of Science in Animal Sciences from The Ohio State University and Master of Business Administration in Finance from Pepperdine Graziadio Business School at Pepperdine University, both in the United States.

Key Competencies: Healthcare Industry, International Supply Chain and Technology



Age: **54**

Citizenship:
United States

Year of initial
appointment:
2019

Expiration of current
term of office:
2022

Scott Maw

An experienced financial executive with over two decades of experience at global companies, including Chief Financial Officer of Starbucks Corporation, Scott Maw contributes to the Board his extensive understanding of complex financial analysis and reporting and internal controls over financial reporting of a global company. He has been a member of the board of directors of Avista Corporation since 2016, where he is the Chair of the Compensation Committee; Chipotle Mexican Grill Inc. since 2019, where he is the Lead Independent Director and Chair of the Audit Committee; and Root, Inc. since 2020. Mr. Maw is also member of the board of trustees of Gonzaga University. Previously, he was Executive Vice President and Chief Financial Officer at Starbucks Corporation from 2014 until the end of 2018, Senior Vice President in Corporate Finance from 2012 to 2013 and Senior Vice President and Global Controller from 2011 to 2012. From 2010 to 2011, he was Senior Vice President and Chief Financial Officer of SeaBright Holdings, Inc. From 2008 to 2010, he was Senior Vice President and Chief Financial Officer of the Consumer Bank at JP Morgan Chase and Company. Prior to this, Mr. Maw held leadership positions in finance at Washington Mutual, Inc. from 2003 to 2008 and GE Capital from 1994 to 2003.

Mr. Maw holds a Bachelor of Business Administration in Accounting from Gonzaga University in the United States.

Key Competencies: Financial, Global Business Operations and Consumer Industry



Age: **63**

Citizenship:
United States

Year of initial
appointment:
2019

Expiration of current
term of office:
2022

Karen May

Karen May, who possesses a unique combination of having been both a financial executive and a human resource executive of global companies, brings to the Board extensive operational, financial and human capital strategy experience. Ms. May has been a member of the board of directors of Ace Hardware Corporation, where she is Chair of the Audit Committee, since 2017. Previously, Ms. May was on the board of directors of MB Financial, Inc., where she served as Chair of the Compensation Committee until 2019. From 2012 to 2018, she was Executive Vice President and Chief Human Resources Officer at Mondelez International, Inc. (name changed from Kraft Foods, Inc. after the spin-off of select Kraft North American businesses in 2012). From 2005 to 2012, Ms. May was the Executive Vice President and Chief Human Resources Officer of Kraft Foods, Inc. Between 1990 and 2005, she held various positions in Human Resources and Finance at Baxter International Inc., including Corporate Vice President and Chief Human Resources Officer, Vice President, International Finance, and Vice President, Division Controller. Prior to Baxter International Inc., Ms. May was a Certified Public Accountant in the audit practice of Price Waterhouse.

Ms. May holds a Bachelor of Science in Accounting from the University of Illinois in the United States.

Key Competencies: Human Capital Management, Financial and Consumer Industry



Ines Pöschel

Ines Pöschel brings to the Board not only her deep experience as a Swiss lawyer, particularly in corporate governance, capital markets and mergers and acquisitions, but her extensive leadership roles in public policy with her appointments on government and public commissions. Ms. Pöschel has been a Partner at Kellerhals Carrard Zurich KIG since 2007. She has been a member of the board of directors of Implen AG since 2016 and Graubündner Kantonalbank since 2018 and serves on the board of directors of several non-listed Swiss companies. Ms. Pöschel is also a member of the Swiss Federal expert commission for commercial register. From 2002 to 2007, Ms. Pöschel was a Senior Associate at Bär & Karrer AG. She was a Senior Manager at Andersen Legal LLC from 1999 to 2002.

Ms. Pöschel has a Master in Law from the University of Zurich in Switzerland, and passed the Swiss Bar Exam in 1996.

Key Competencies: Government Relations, Legal/Governance and Regulatory/Public Policy

Age: **53**

Citizenship:
Switzerland

Year of initial
appointment:
2019

Expiration of current
term of office:
2022



Dieter Spälti, Ph.D.

As an executive of Spectrum Value Management Ltd., the family office of an iconic industrial Swiss family, Dr. Spälti oversaw all of its investments for nearly two decades, which allows Dr. Spälti to bring to the Board significant financial and operational experience in addition to his previous consulting experience with numerous industrial, financial and technology firms in Europe, the US and Southeast Asia. Dr. Spälti has been Vice Chair since May 2021 and a member of the board of directors at Spectrum Value Management Ltd., Switzerland since 2006 and Managing Partner from 2002 to 2006. He served as Chief Executive Officer of Spectrum Value Management Ltd., from 2006 through May 2021. He has been a member of the board of directors at Holcim Ltd. since 2003 and became its Vice Chair in May 2021. Dr. Spälti served, or continues to serve, on the board of directors of various non-listed Swiss and international companies, including several that are controlled by the same beneficial owner. Dr. Spälti was a Partner at McKinsey & Company from 1993 to 2001.

He holds a Ph.D. in Law from the University of Zurich, Switzerland.

Key Competencies: Financial, Legal/Governance and Technology

Age: **61**

Citizenship:
Switzerland

Year of initial
appointment:
2019

Expiration of current
term of office:
2022

Independence and Executive Function

The independence of Board members is a key element of Alcon's corporate governance framework. Therefore, Alcon has developed a strong set of independence criteria for its board members based on international best practice standards, including the Swiss Code of Best Practices for Corporate Governance and the NYSE standards, which can be found in the Alcon Board Regulations, available under the investor relations portion of the Alcon website (<https://investor.alcon.com/governance/governance/default.aspx>).

The Board assesses the independence of its Board members on a regular basis, at least annually. As of December 31, 2021, all Board members qualified as independent according to Alcon independence criteria, except for F. Michael Ball, and David J. Endicott.

Other than Mr. Endicott, who currently serves as Alcon's Chief Executive Officer, no Board member was a member of the management of the Company or any other Alcon consolidated subsidiary in the last three financial years up to December 31, 2021.

Mr. Ball, who previously served as Chief Executive Officer of the Alcon Division of Novartis and as a member of the Novartis Executive Committee from February 1, 2016 until June 30, 2018, served in an unofficial senior leadership role to Alcon during the period from June 30, 2018 until Alcon's Spin-off from Novartis. Based on the foregoing, the Board made the determination that Mr. Ball was not independent as of December 31, 2021.

No Board member has a significant business relationship with the Company or with any other Alcon consolidated subsidiary.

Mr. Endicott is an executive member of the Board by reason of his function as Chief Executive Officer of Alcon. All other members of the Board are non-executive directors since none of them carries out operational management tasks within Alcon.

As of December 31, 2021, none of the Board members held any official government functions or political posts.

Limitations of Number of Mandates

No member of the Board may hold more than ten additional mandates in other companies, of which no more than four shall be in other listed companies. Chairs of the board of directors of other listed companies count as two mandates. Mandates in different legal entities which are under joint control are deemed one mandate. Further details can be found in Article 34 of the Articles of Incorporation, available under <https://investor.alcon.com/governance/governance/default.aspx>.

Elections and Terms of Office

The Board members, the Chair of the Board and the members of the Compensation Committee shall be elected individually by the General Meeting of Shareholders for a term of office lasting until completion of the next Annual General Meeting of Shareholders.

There is no mandatory term limit for Board members.

The rules in the Articles of Incorporation reflect the statutory legal provisions regarding the appointment of the Chairman, the members of the Board, the members of the Compensation Committee and the independent proxy.

Internal Organizational Structure

General Principles and Areas of Responsibilities

The Board constitutes itself in compliance with legal requirements and taking into consideration the resolutions of the General Meeting of Shareholders. It shall elect one or two Vice-Chairs. It shall appoint a secretary, who need not be a member of the Board.

The Board is the ultimate governance body of the Company, under the leadership of the Chair. F. Michael Ball has been the Chair of the Board since the Spin-off from Novartis. In this role, Mr. Ball leads the Board to represent the interests of all stakeholders. Notably, he (i) provides leadership to the Board, (ii) supports the CEO, (iii) ensures an efficient way of working with the Board's Committees, the CEO and the Executive Committee, (iv) leads the annual performance assessment and (v) ensures an effective communication with the shareholders, other stakeholders and the public.

The Vice Chair is D. Keith Grossman, also acting in this role as Senior or Lead Independent Director. In this role, Mr. Grossman (i) leads the Board as long as the Chairman is incapacitated, (ii) chairs the sessions of the independent Board members, when necessary, and (iii) leads the independent board members in case of a crisis or matter requiring their separate consideration or decision.

The duties of Mr. Ball and Mr. Grossman in their respective functions are described in more detail in Articles 20 and 21, respectively, of the Alcon Board Regulations (<https://investor.alcon.com/governance/governance/default.aspx>).

The Board is responsible for the duties assigned to it by the Articles of Incorporation and the Alcon Board Regulations, which include the overall direction and supervision of management. It holds the ultimate decision-making authority for Alcon, with the exception of any decisions reserved to the shareholders. In performing its tasks, the Board follows the highest standards of ethics, integrity and governance. It undertakes annually a self-assessment process to evaluate its performance, the performance of its committees and the individual performance of its members.

Within the limits of the law and the Articles of Incorporation, the Alcon Board has delegated certain of its duties to the Executive Committee and the Board's Committees.

Delegation to the Executive Committee

The Board has delegated to the Executive Committee the management of the business in accordance with the terms set forth in the Alcon Board Regulations. Such delegation has been formalized in Article 12 of the Alcon Board Regulations and further regulated in a set of internal regulations. Under the lead of the Chief Executive Officer, the Executive Committee is responsible for the management of the business and functions as a coordination committee, independent of any legal entity of the Alcon Group. A non-exhaustive list of the duties assigned to the Executive Committee can be found in Article 23 of the Alcon Board Regulations (<https://investor.alcon.com/governance/governance/default.aspx>).

Delegation to the Board's Committees

The Board's Committees enable the Board to work in an efficient and effective manner, ensuring a thorough review and discussion of matters, while giving the Board more time for deliberation and decision-making. For this purpose, the Board has delegated certain of its duties to each of its four permanent committees: the Audit and Risk Committee, the Compensation Committee, the Governance and Nomination Committee and the Innovation Committee. Details of the duties, responsibilities and decision-making powers of each committee can be found in the respective committee's charter, contained in the Alcon Board Regulations, available under <https://investor.alcon.com/governance/governance/default.aspx>.

In 2021, the composition of the respective Board's Committees was as follows:

Name	Audit and Risk Committee	Compensation Committee	Governance and Nomination Committee	Innovation Committee
F. Michael Ball			Member	
Lynn D. Bleil	Member			Member
Arthur Cummings				Member
David J. Endicott				
Thomas Glanzmann		Member	Member	Chair
D. Keith Grossman		Member ¹	Chair	Member
Scott Maw	Chair			
Karen May	Member	Chair		
Ines Pöschel		Member	Member	
Dieter Spälti	Member			

¹ Keith Grossman served as a member of the Compensation Committee until the Alcon Annual General Meeting held on April 28, 2021. He withdrew his candidacy for re-election prior to the Annual General Meeting and thus did not serve as a member of the Compensation Committee after the 2021 Annual General Meeting.

Audit and Risk Committee

The Audit and Risk Committee consisted of four members in 2021, all of whom were determined by the Board to be independent and in possession of the financial literacy and accounting or related financial management expertise, as defined in the NYSE standards. The Audit and Risk Committee meets and consults regularly with the management, the Alcon Internal Audit function, the independent external auditors and external consultants. The Audit and Risk Committee regularly reports to the full Board on its decisions and deliberations.

The primary responsibilities of this committee include:

- supervising external auditors and selecting and nominating external auditors for election at the Annual General Meeting of shareholders;
- overseeing internal auditors;
- overseeing accounting policies, financial controls and compliance with accounting and internal control standards;
- approving quarterly financial statements and financial results releases;
- overseeing internal control and compliance processes and procedures;
- overseeing compliance with laws and external and internal regulations;
- ensuring that Alcon has implemented and maintained an appropriate and effective risk management system and process;
- ensuring that all necessary steps are taken to foster a culture of risk-adjusted decision-making without constraining reasonable risk-taking and innovation;
- approving guidelines and reviewing policies and processes; and
- reviewing with management, internal auditors and external auditors the identification, prioritization and management of risks; the accountabilities and roles of the functions involved in risk management; the risk portfolio; and the related actions implemented by management.

Compensation Committee

The Compensation Committee consisted of three members in 2021, all of whom were determined by the Board to be independent¹. The Compensation Committee meets and consults regularly with management and external consultants. The Compensation Committee regularly reports to the full Board on its decisions and deliberations.

The primary responsibilities of this committee include:

- developing a compensation philosophy in line with the principles set forth in the Articles of Incorporation and submit to the Board;
- providing oversight for Alcon's human capital strategy, including talent management, CEO and ECA succession planning, diversity and inclusion initiatives and pay equity measures;
- designing, reviewing and recommending to the Board compensation policies and programs;
- reviewing and approving a peer group of companies for executive compensation comparisons;
- advising the Board on the compensation of Directors and the Chief Executive Officer of Alcon;
- determining the compensation of ECA members;
- supporting the Board in preparing the proposals to the General Meeting of Shareholders regarding the compensation of the members of the Board and ECA;
- preparing the annual compensation report and submitting it to the Board for approval;
- establishing executive and director stock ownership guidelines and stock trading policies and monitoring compliance with such policies; and
- overseeing communication and engagement on executive compensation matters with shareholders and their advisors.

¹ The Compensation Committee operated with four members until the Alcon Annual General Meeting held on April 28, 2021, from which it then consisted of three members only.

Governance and Nomination Committee

The Governance and Nomination Committee consisted of four members in 2021. The Governance and Nomination Committee meets and consults regularly with management and external consultants. The Governance and Nomination Committee regularly reports to the full Board on its decisions and deliberations.

The primary responsibilities of this committee include:

- designing, reviewing and recommending corporate governance principles to the Board;
- overseeing Alcon's strategy and reputation regarding ESG matters and annually approve Alcon's Corporate Responsibility Report;
- establishing criteria and identifying candidates for election as Directors;
- assessing existing Directors and recommending to the Board whether they should stand for re-election;
- developing and reviewing an onboarding program for new Directors and an ongoing education plan for existing Directors;
- reviewing periodically the Articles of Incorporation with a view to reinforcing shareholder rights;
- reviewing periodically the composition and size of the Board and its committees;
- direct periodic assessments of the Board, directors and committees;
- reviewing annually the independence status of each Director; and
- reviewing directorships and agreements of Directors for conflicts of interest and dealing with conflicts of interest.

Alcon is committed to fostering a sustainable business that supports the well-being of our associates, customers, communities, and planet. The environmental, social, and governance (ESG) objectives of the Group are integrated into its decision-making to deliver long-term value for all of its stakeholders. ESG is of key importance within the Alcon governance framework and is subject to the oversight of the Board, acting principally through its Governance and Nomination Committee. Under the supervision of the Governance and Nomination Committee, the Alcon ESG Executive Steering Committee, supported by dedicated working groups, is tasked with the identification and management of environmental and social impacts. The implementation of the related strategy and day-to-day activities are conducted by subject matter experts across the enterprise, under the leadership of the Alcon Head of ESG.



Innovation Committee

The Innovation Committee consisted of four members in 2021. The Innovation Committee meets and consults regularly with management. The Innovation Committee regularly reports to the full Board on its decisions and deliberations.

The primary responsibilities of this committee include:

- providing counsel to the Board and management in the area of technology, application of technology and new business models;
- reviewing and making recommendations to the Board on internal pipeline and external investments (e.g. potential acquisitions, equity investments, alliances and collaborations) relative to Alcon's business portfolio, forecasted capital and operating capacity during the strategic and operating reviews;
- reviewing, evaluating and advising the Board on the strategic direction and competitiveness of the innovation pipeline through the evaluation of key innovation metrics;
- reviewing and recommending for approval any innovation goals/targets that may be incorporated into Alcon's incentive compensation plans;
- assisting the Board with oversight, risk management and evaluation of management's criteria for selecting major new R&D and BD&L projects, assessing progress against major milestones, budget execution and post-launch revenue impact;
- reviewing, discussing and informing the Board of significant emerging science, technology, programs, issues or trends relevant to Alcon; and
- reviewing such other matters in relation to Alcon research and development, technology and innovation programs as the committee may, in its own discretion, deem desirable in connection with its responsibilities.

Frequency, Duration and Attendance of the Meetings of the Board of Directors and its Committees

The Board and its Committees are convened as often as the conduct of the business may require.

In 2021, the Board and its Committees met as follows:

	Board of Directors	Audit and Risk Committee	Compensation Committee	Governance and Nomination Committee	Innovation Committee
Number of meetings ¹	8	9	7	5	6
Approximate average duration ²	4 hrs 50 min	1 hrs 45 min	2 h 20 min	1 h 55 min	1 hrs 45 min
Overall attendance	100%	100%	100%	100%	100%

During 2021, each Board member attended all of the meetings of the Board and each Committee on which he or she serves, as represented below:

Meeting attendance	Board of Directors	Audit and Risk Committee	Compensation Committee	Governance and Nomination Committee	Innovation Committee
	Number of Meetings	Number of Meetings	Number of Meetings	Number of Meetings	Number of Meetings
	8	9	7	5	6
F. Michael Ball	8			5	
Lynn D. Bleil	8	9			6
Arthur Cummings	8				6
David J. Endicott	8				
Thomas Glanzmann	8		7	5	6
D. Keith Grossman	8		3 ³	5	6
Scott Maw	8	9			
Karen May	8	9	7		
Ines Pöschel	8		7	5	
Dieter Spälti	8	9			

¹ The number of meetings includes physical meetings as well as meetings held through videoconference or conference call. In 2021, due to the ongoing COVID-19 pandemic, all but one meeting were held virtually.

² The approximate average duration does not include dinners, lunches and breaks.

³ Keith Grossman served as a member of the Compensation Committee until the Annual General Meeting held on April 28, 2021 only.

Board Evaluation and Education

The Governance and Nomination Committee and the Chair of the Board coordinate an annual self-evaluation of the Board and its Committees, which includes individual interviews with the Board Chair and the completion of a confidential survey by Board members. The Chair summarizes for the Board the results of the evaluation, and any findings are appropriately addressed. In addition, each Committee conducts its own self-evaluation annually.

The Board recognizes the value of independent development and learning by its members. Therefore, it established a Director Education Program for its members, the purpose of which is to provide for internal and external speakers on trending topics, experiential learning of Alcon and its industry through site tours and product demonstrations and, at each Board member's option, externally provided coursework. The intent of the Director Education Program is to ensure Board members are well-versed in matters related to Alcon, its business and the rapidly changing corporate governance environment.

Information and Control System of the Board vis-à-vis the Management

The Board ensures that it receives through several channels sufficient information from the Executive Committee to perform its supervisory duties and to make the decisions that are reserved to it by law, i.e. its non-delegable decisions.

Information to the Board of Directors

The Alcon Board Regulations confer to the members of the Board the right to have full and unrestricted access to management and employees of the Company and its subsidiaries in the execution of their duties. Also, the Chief Executive Officer regularly informs the Board on business developments, including significant transactions and risk issues. The Board and its Committees meet as often as required with the Chief Executive Officer and members of the Executive Committee or other members of the senior management. Further, the Board may invite, in accordance with the Alcon Board Regulations, external advisors to attend board or committee meetings in order to obtain a third party independent perspective on certain topics. Information is further communicated to the Board through regular reports (please refer to the section below "*Alcon Management Information System*").

Alcon Management Information System

The Board receives monthly reports on the financial performance of the Company, including the performance of the Surgical and Vision Care franchises. On a quarterly basis, prior to the release of each quarter's results, the Board receives the Consolidated Financial Statement information and an outlook of the full-year results in accordance with IFRS and "core" results together with related commentary.

On an annual basis, the Board receives and approves the financial targets for the following year. Mid-year, the Board met for a strategic review of the business and approved the strategic plan for the next five years.

Additionally, throughout the year, the Board directly or through its Committees also received reports on, among other things:

- the enterprise risk management program and risk assessment reports;
- the compliance program;
- the internal audit function;
- manufacturing and technical operations;
- research & development and product pipeline;
- organic and inorganic innovation;
- commercial strategies and product launches;
- digital commerce opportunities;
- legal matters;
- competitive developments; and
- industry trends.

In matters of significance, the Board receives direct, immediate information.

Internal Audit

The purpose of the internal audit function is to review Alcon's financial, operational, IT and compliance activities to review compliance with laws, regulations and internal policies. It also supports Alcon's efforts to maintain accurate and timely financial reporting while seeking to add value by suggesting improvements to Alcon's operations and to assist Alcon in achieving its strategic and financial objectives. Internal audit is led by the Chief Audit Executive ("CAE") who functionally reports to the Audit and Risk Committee. The CAE is responsible for the development, review and modification of Alcon's internal audit policies and procedures. The CAE shall ensure effectiveness and efficiency of the internal control framework with existing policies and regulations and proposes remediation actions where deficiencies were identified. The CAE periodically submits to the Audit and Risk Committee reports on the activities of the internal audit function. In 2021, internal audit was involved in a total of 36 audit engagements. The results and remediation status of these audit engagements are reported to the Audit and Risk Committee on a periodic basis. At the final meeting for the year 2021, the ARC reviewed and approved the Internal Audit plan for 2022.

Internal Control System

Alcon's internal control system is designed to provide reasonable assurance to the Board and management regarding the reliability of financial reporting and accounting policies and the preparation and the presentation of the Company's financial statements. In 2021, the Alcon's internal controls framework has been fully tested for effectiveness. The Audit and Risk Committee has ultimate responsibility to oversee the adequacy and effectiveness of internal control over financial reporting.

Risk Management

The Audit and Risk Committee has the responsibility to ensure the implementation of an appropriate and effective risk management system and process and to foster a culture of risk-adjusted decision-making without constraining reasonable risk taking and innovation. It approves guidelines and reviews policies and processes. In addition, the Audit and Risk Committee reviews with management, internal auditors and external auditors, the identification, prioritization and management of the risks, the accountabilities and roles of the functions involved with risk management, the risk portfolio and the related actions implemented by management. The Audit and Risk Committee informs the Executive Committee

and the Board on a periodic basis on the risk management system and on the most significant risks and how these are managed. The CAE supports the Audit and Risk Committee and perform appropriate reviews of Alcon's risk management strategy.

Alcon's key risk management tool is the Enterprise Risk Management ("ERM") program, the purpose of which is to help execute on Alcon's strategy within the boundaries of regulations and improve the probability for achieving Alcon's strategic and financial objectives. Alcon's vision is to design a sustainable and appropriately scaled ERM program to proactively manage existing and emerging threats and opportunities to the business. The ERM program aims in particular to provide the business with the following: (i) operation discipline and rigor to enable business continuity, creation and preservation of value, (ii) forums for frequent risk discussions and escalation of relevant items with leadership, and (iii) guidance, techniques and support to identify, assess (e.g. likelihood and impact), manage, monitor and report on major risks, including proper mitigation if necessary. The ERM program is under the supervision of a dedicated committee that is comprised of senior members of the management and the members of the Audit and Risk Committee.

Compliance Function

As part of its global control system, Alcon has also established a comprehensive global integrity and compliance program, under the supervision of the Audit and Risk Committee. The program is led by the Global Head, Integrity and Compliance under the functional leadership of Alcon's General Counsel and is intended to help prevent, detect and mitigate compliance risk across the organization. The program is built on a culture and expectation of compliance at all levels. The fundamental elements of the program include dedicated resources to address compliance globally, formal compliance governance, a global intake process to receive questions and concerns (including through the Alcon's Ethics Helpline), written standards, communications, training, multiple levels of risk-based auditing and monitoring, review of alleged misconduct and corrective/disciplinary actions for violations. The Audit and Risk Committee of the Board receives periodic updates on the performance of the Integrity and Compliance program and compliance related matters. The program also includes compliance committees, which have been established at the corporate, regional and country-levels and include participation by the Executive Committee and other senior leadership to provide strategic direction and oversight relating to the management of compliance risks for Alcon. Policies are reviewed and updated on a regular basis to address changes in laws and regulations and to strengthen compliance.

Executive Committee

Composition of the Executive Committee

As of December 31, 2021, the Executive Committee of Alcon was composed of the following members:



David J. Endicott, Chief Executive Officer

Please refer to the biography set forth under "Board of Directors."

Age: **56**
Citizenship:
United States



Tim C. Stonesifer, Chief Financial Officer

Tim Stonesifer has been the Chief Financial Officer since April 2019. Prior to joining Alcon, he had served as Executive Vice President and Chief Financial Officer at Hewlett Packard Enterprise from November 2015 through September 2018. Prior to that role, Mr. Stonesifer acted as Senior Vice President and Chief Financial Officer, Enterprise Group at HP Co. since 2014. Before joining HP Co., he served as Chief Financial Officer of General Motors' International Operations from 2011 to 2014. Previously, he served as Chief Financial Officer of Alegco Scotsman, a storage company, from 2010 to May 2011; Chief Financial Officer of Sabic Innovative Plastics (formerly GE Plastics) from 2007 to 2010; and various other positions at General Electric since joining the company in 1989.

Mr. Stonesifer holds a Bachelor of Arts in Economics from the University of Michigan in the United States.

Age: **54**
Citizenship:
United States



Age: **54**

Citizenship:
France and United States

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

Laurent Attias is Head of Corporate Development, Strategy, BD&L and M&A where he leads the development of long-term strategic plans for the Surgical and Vision Care franchises of Alcon and is responsible for the Alcon's BD&L, M&A, partnerships and alliance activities, a role which he has held since 2012. Since 1994 when Mr. Attias joined Alcon, he has had various roles with increasing responsibility beginning with positions in Alcon's Sales and Marketing functions and then holding the positions of Vice President, Refractive Sales and Marketing from 2002 to 2007; Vice President/General Manager of Alcon Canada from 2007 to 2009; Vice President, Central & Eastern Europe, Italy and Greece from 2009 to 2010; and President, Europe, Middle East and Africa ("EMEA") from 2010 to 2012.

Mr. Attias holds both a Bachelor of Business Administration in Marketing and a Master of Business Administration from Texas Christian University in the United States.



Age: **52**

Citizenship:
United Kingdom

Ian Bell, President, Global Business & Innovation¹

Ian Bell has been the President, Global Business & Innovation since September 2021 where he is responsible for driving the innovation pipeline for Alcon. From January 2019 until he was appointed to his current role, he was President-International, overseeing the Europe, Russia, Middle East and Africa, Asia Pacific, Japan and Latin America and Caribbean markets. He joined Alcon in March 2016 as President of EMEA. From 2014 until joining Alcon, Mr. Bell served as Corporate Vice President and President of the EMEA region for Hospira. Mr. Bell was Corporate Vice President and President of Allergan, Inc.'s Asia Pacific region, based in Singapore, from 2008 to 2014. Mr. Bell joined Allergan in 2005 as Vice President and Managing Director of its neurosciences division for the EMEA region. He began his career at GlaxoSmithKline, where he held roles of increasing responsibility and scope in sales, marketing and strategy for more than 10 years.

Mr. Bell was awarded the degree of Bachelor of Arts with honors in Economics from the University of York in the United Kingdom.



Age: **54**

Citizenship:
Mexico and United States

Leon Sergio Duplan Fraustro, President North America

Sergio Duplan has served as President-North America, overseeing the United States and Canada markets since 2015. Mr. Duplan joined Alcon in 2012 and served as Alcon's President of Latin America and Canada for Alcon for three years. Mr. Duplan began his career with Novartis in 2004, as Vice President of Sales in General Medicines, in Mexico then served as Head of Marketing and Sales for Latin America, General Medicines, Pharma from 2006 to 2008 and then Country Pharma Organization Head and Country President of Novartis Mexico from 2008 to 2012. Prior to joining Novartis, Mr. Duplan held several positions of increasing responsibility in Sales, Finance and Country Management at Procter & Gamble and Eli Lilly & Co. He is also currently a board member of The Alcon Foundation.

Mr. Duplan holds a Bachelor degree in Industrial Engineering from Universidad Iberoamericana in Mexico and a Master of Business Administration from The Wharton School at the University of Pennsylvania in the United States.



Age: **57**

Citizenship:
United States

Rajkumar Narayanan, President, International²

Mr. Narayanan has been the President, International since September 2021 where he oversees the Europe, Russia, Middle East and Africa, Asia Pacific, China, Japan, Latin America and Caribbean markets. From April 2019 until he was appointed to his current role, he was Senior Vice President, Operational Strategy and Chief Transformation Officer and was responsible for leading the development and implementation of Alcon's transformation program. He joined Alcon in June 2017 as President Asia Pacific Region from Allergan, Inc., where he worked for 22 years in roles of increasing responsibility, including Senior Vice President Asia Pacific Region from 2014 to 2017; Vice President and Managing Director of the Medical Aesthetic Franchise for Europe Africa and Middle East from 2011 to 2014; and Vice-President, Greater China & Japan from 2008 to 2011. Prior to those roles, Mr. Narayanan was a part of Allergan's Finance function in a number of Country, Region and Corporate Finance roles. Mr. Narayanan started his career in finance with Hindustan Unilever India in 1987.

Mr. Narayanan holds a Bachelor of Science degree in Accounting and Finance from Mumbai University. He is also a Chartered Accountant and a Cost and Works Accountant in India.



Sue-Jean Lin, SVP, Chief Information & Transformation Officer³

Sue-Jean Lin is Senior Vice President, Chief Information and Transformation Officer where she leads the technology initiatives within Alcon and is responsible for leading the development and implementation of Alcon's transformation program. Ms. Lin joined Alcon in August 2018 as Senior Vice President, Chief Information Officer. Prior to joining Alcon, Ms. Lin was Senior Vice President and Chief Information Officer for Hill-Rom Holdings, Inc., a global medical technology company. Prior to joining Hill-Rom in 2016, she was the Senior Vice President and Chief Information Officer, and before that, the Vice President of Finance & Regional Controller (Europe, Middle East, and Africa and Asia Pacific) for Allergan, Inc. In 2015, she also served as Interim Executive for Presbyterian Healthcare Services in the capacity of Senior Vice President and Chief Information Officer.

Age: **63**

Citizenship:

United Kingdom and United States

Ms. Lin holds both a Bachelor's degree in Accounting and a Master's degree in Business Administration from the University of Nevada, Reno. She also completed the Executive Leadership Program from the University of Southern California, Marshall School of Business, and holds a Cybersecurity Oversight certificate from Software Engineering Institute of Carnegie Mellon University.

¹ Until September 1, 2021, Ian Bell served as President, International and was already a member of the Executive Committee of Alcon. As of this date, he was appointed President, Global Business & Innovation, replacing in this function Michael Onuscheck who simultaneously stepped down from his roles with the Company.

² Rajkumar Narayanan was appointed President, International as of September 1, 2021, replacing in this function Ian Bell. He was previously a member of the Executive Committee of Alcon, serving as Senior Vice President, Operational Strategy and Chief Transformation Officer.

³ Sue-Jean Lin was appointed as a new member of the Executive Committee of Alcon as of September 1, 2021.

Role of the Executive Committee

The members of the Executive Committee are appointed by the Board. In accordance with the Articles of Incorporation and the Alcon Board Regulations, the Board delegated the responsibility for the management of the business to the Executive Committee, under the lead of the Chief Executive Officer.

The Executive Committee shall in particular (i) develop strategies and policies and implement those upon approval by the Board, (ii) coordinate and monitor the group's functions to achieve the business targets, (iii) ensure the efficient operation of the group, (iv) manage the proper provision and use of capacity and financial and other resources within the group and (v) ensure the development and succession of the senior management.

Alcon has not entered into any management agreements with any third parties pursuant to which Alcon would delegate any business management responsibilities to any such third parties.

As of December 31, 2021, none of the members of the Executive Committee held any official functions or political posts.

Limitations of Number of Mandates

No member of the Executive Committee may hold more than six additional mandates in other companies, of which no more than two additional mandates shall be in other listed companies. Each of these mandates shall be subject to approval by the Board. Members of the Executive Committee are not allowed to hold chairs of the board of directors of other listed companies. Further details can be found in Article 34 of the Articles of Incorporation, available under <https://investor.alcon.com/governance/governance/default.aspx>.

Compensation, Shareholdings and Loans

Please refer to "Item 6.B - Compensation".

Shareholders' Participations Rights

Voting-right Restrictions and Representation

Alcon has not imposed any restriction regarding share ownership or voting rights. Nominees shareholdings are not subject to any limitations. The right to vote at Alcon general meetings may only be exercised by a shareholder, usufructuary or nominee who is duly registered in Alcon share register on the record date for the applicable general meeting. Shareholders can be represented at general meetings by the independent proxy or by a third person authorized by written proxy who does not need to be a shareholder. As required by law, shareholders will also be given the opportunity to issue their voting instructions to the independent proxy electronically through an online voting platform.

Each Alcon share has the right to one vote. Shares held by the Company or any of its consolidated subsidiaries are not entitled to vote. Votes are taken either by a show of hands or by electronic voting, unless the General Meeting of Shareholders resolves to have a ballot or where a ballot is ordered by the chairman of the meeting.

Statutory Quorums

Unless otherwise required by law, the General Meeting passes resolutions and elections with the absolute majority of the votes duly represented.

According to Article 704 of the Swiss Code of Obligation, the following shareholders' resolutions require the approval of at least two thirds of the votes represented at a General Meeting of Shareholders: (1) an alteration of Alcon's corporate purpose; (2) the creation of shares with increased voting powers; (3) an implementation of restrictions on the transfer of registered shares and the removal of such restrictions; (4) an authorized or conditional increase of the share capital; (5) an increase of the share capital by conversion of equity, by contribution in kind, or for the purpose of an acquisition of property or the grant of special rights; (6) a restriction or an exclusion of shareholders' pre-emptive rights; (7) a change of Alcon's registered office; (8) Alcon's dissolution; or (9) any amendment to the Articles of Incorporation which would create or eliminate a supermajority requirement.

Swiss law further provides for a qualified majority for certain special resolutions, such as in case of merger or demerger.

Convocation of General Meetings

The Annual General Meeting shall be held within six months after the close of the financial year of the Company. Extraordinary General Meetings may be convened upon request of the Alcon Board, the auditors or one or more shareholders representing in aggregate not less than 10% of the Company's share capital. At least 20 days before the General Meeting, the invitation including the agenda is published in the Swiss Gazette of Commerce and mailed to the registered shareholders.

Agenda

One or more Alcon shareholders whose combined shareholdings represent an aggregate nominal value of at least CHF 1 million may demand that an item be included in the agenda of a General Meeting of Shareholders. Such a demand must be made in writing at the latest 45 days before the meeting and shall specify the items and the proposals of such shareholder.

Registration in the Share Register

The share register of the Company is a non-public register, subject to confidentiality and privacy and data protections imposed on Alcon to protect registered shareholders. Alcon shares can be voted only if their relevant holder is registered in the Alcon share register by the record date determined by the Board. The Articles of Incorporation do not provide for any specific rule regarding the closure of the share register.

Quiet Periods

The Company has strict internal policies regarding insider trading, in line with applicable regulations and international best practice standards.

Quiet Periods start fourteen days prior to the beginning of the last trading day of each calendar quarter and end following the first full trading day after the date of the release of the quarterly and/or annual results, unless otherwise designated by the Alcon Disclosure Committee. The Company has identified a certain number of Continuing Insiders, i.e. key individuals who may continuously be in possession of material non-public information, that are prohibited from trading in any Alcon securities during Quiet Periods and may trade in any such securities outside of Quiet Periods only with the prior written approval of the Company's corporate legal department.

In addition, Alcon associates may be designated Temporary Insiders in connection with confidential projects. In this capacity, they are prohibited to trade, during a certain period of time defined as a No Trading Period, in any securities of either Alcon or another company in which any such Alcon associate may have acquired material non-public information.

Changes of Control and Defense Measures

Duty to Make an Offer

Under the Swiss Financial Market Infrastructure Act, shareholders and groups of shareholders acting in concert who acquire more than 33.3% of Alcon shares would be under an obligation to make an offer to acquire all remaining Alcon shares. Alcon has neither opted out from the mandatory takeover offer obligation nor opted to increase the threshold for mandatory takeover offers in the Articles of Incorporation.

Clauses on Change of Control

In accordance with the rules of the Ordinance against Excessive Compensation in Listed Companies, Alcon does not provide severance payments upon a change of control or "golden parachute" provisions in its agreements with its Directors, Executive Committee members or other members of senior management. Alcon's Long Term Incentive Plan and Deferred Bonus Stock Plan, each applicable to all employee participants including Executive Committee members, provide for double trigger accelerated vesting of outstanding stock awards in the event a participant leaves the company for "good reason" or Alcon terminates the employee without "cause," as such terms are defined in the plans, within two years following a change of control. If such a double trigger event occurs, the participant's outstanding unvested awards would vest in full. In the case of Performance Share Units, awards less than 50% vested would vest at target and awards more than 50% vested would vest in accordance with Alcon's actual performance, as determined by the Compensation Committee.

Auditors

Duration of the Mandate and Terms of Office of the Auditors

PricewaterhouseCoopers SA, Switzerland ("PwC Switzerland"), has been the statutory auditor of the Company since 2019 and conducts the audit activities required by Swiss law and the related SIX regulations. It was re-elected on April 28, 2021 for a term of one year until the 2022 Annual General Meeting. Mike Foley has been the auditor in charge of the statutory audit since 2019. Alcon has a policy to rotate the lead audit partner of the statutory auditor at least once every five years.

Separately, on February 16, 2021, the Company appointed PricewaterhouseCoopers LLP, United States ("PwC US") (PCAOB ID No. 238), for a term of one year, as its independent registered accounting firm to conduct the audit activities required by US law and the related NYSE regulations. PwC US performs the audit from offices located in Fort Worth, Texas. The appointment of PwC US does not require approval of the Company's shareholders.

Auditing Fees and Additional Fees

The following table sets forth the amount of audit fees, audit-related fees, tax fees and all other fees billed or expected to be billed in aggregate by PwC Switzerland, PwC US and any other member firm of PricewaterhouseCoopers International Limited that rendered audit and related services to any member of Alcon, for the fiscal years ended December 31, 2021 and December 31, 2020:

(\$ millions)	2021	2020
Audit fees	9.4	10.3
Audit related fees	0.2	0.2
Tax fees	0.1	0.1
Total	9.7	10.6

Audit fees include fees billed for professional services rendered for audits of our annual consolidated and standalone financial statements, reviews of consolidated quarterly financial information and statutory audits of the Company (including in particular the Compensation Report) and our subsidiaries.

Audit-related fees include fees billed for assurance and related services such as due diligence, accounting consultations and audits in connection with mergers and acquisitions, employee benefit plan audits, internal control reviews and consultations concerning financial accounting and reporting standards.

Tax fees include fees billed for professional services for tax compliance, tax advice and tax planning.

Control Measures over the Activities of the Auditors

The Board has delegated to the Audit and Risk Committee ("ARC") the oversight of the activities of the external auditors. The ARC evaluates on an annual basis the qualifications and performance of our auditors and will determine whether PwC Switzerland should be proposed to the general meeting to stand for re-election. The criteria applicable of the performance assessment of our auditors include professional competence, sufficiency of resources to complete the audit mandate, independence and objectivity, capability to provide effective and pragmatic recommendations and coordination with the ARC and other functions of the Alcon group, including internal audit.

Upon recommendation of the ARC, the Board proposed that the shareholders accept the audited Consolidated Financial Statements of the Alcon group and the financial statements of the Company.

The ARC is further responsible for the compensation of our auditors and pre-approve all auditing services, internal control-related services and non-audit services permitted under applicable statutory law, regulations and listing requirements.

In 2021, our auditors participated in five meetings of the ARC in order to discuss auditing matters and present the 2021 audit strategy and audit results. In addition, our auditors regularly meet in private session with the ARC and individually with the Chair of the ARC. Our auditors provide at least once a year to the ARC a report regarding (i) the external auditor's internal quality-control procedures, (ii) any material issues raised by quality-control reviews or any inquiry or investigation by governmental or professional authorities, (iii) any step taken to deal with such issues and (iv) all relationships between the external auditor and the Alcon group.

Information Policy

Alcon is committed to pursuing an open and transparent communication with shareholders, suppliers, customers and other stakeholders. It publishes information in a professional manner in accordance with best practices and legal requirements.

Investor Relations

Effective communication with shareholders is an important part of Alcon's governance framework. Therefore, the Company is committed to actively engaging with shareholders and keeping them informed about Alcon's business, governance, strategy and performance, in accordance with applicable laws and regulations. Supported by the Investor Relations team, the Chair leads and supervises the annual shareholders outreach initiative, while the CEO and the CFO are responsible for the management of the day-to-day activities necessary to maintain transparent and open shareholders relationships. The Company believes good engagement and dialogue with the financial community is critical in securing

support and confidence in management's leadership and Board's governance of Alcon. The Investor Relations team regularly organizes opportunities to learn about the Company through in-person and virtual meetings and product showcases throughout the year, subject to its quiet period policy.

Communications

Financial information is published in the form of annual and quarterly financial results, in accordance with internationally recognized accounting standards. Related material, including annual reports, Form 20-Fs, quarterly results releases, investors presentations and conference call webcasts are available on the Alcon website. From time to time, Alcon issues press releases regarding business developments. Investors may subscribe to receive via email distributions providing news and notification about Alcon. The dissemination of material information about business developments is made in accordance with the rules of the SIX and the NYSE.

Information contained in reports and releases may only be deemed accurate in any material respect at the time of the publication. Past releases are not updated to reflect subsequent events.

Alcon's website provides regular information and updates about the Company at www.alcon.com. Detailed information regarding certain topics may be found as follows:

Topic	Website
Investor relations	https://investor.alcon.com
Media releases	https://investor.alcon.com/news-and-events/press-releases/default.aspx
Leadership	https://investor.alcon.com/governance/leadership-team/default.aspx
Governance	https://investor.alcon.com/governance/governance/default.aspx
Financials	https://investor.alcon.com/financials/quarterly-results/default.aspx

Any information included on our internet websites or the information that might be accessed through such websites is not included in this Annual Report and is not incorporated into this Annual Report by reference.

Corporate Responsibility Report

Alcon publishes an annual Corporate Responsibility Report, which describes Alcon's corporate responsibility strategy and highlights Alcon's approach to ESG matters, available at <https://investor.alcon.com/governance/esg/default.aspx>.

Differences in Corporate Governance Standards

According to the NYSE listing standards on corporate governance, listed foreign private issuers are required to disclose any significant ways in which their corporate governance practices differ from those governance practices that must be followed by NYSE-listed US domestic companies. We briefly summarize those differences in the following paragraphs.

Responsibility of the Audit Committee with regard to Independent Auditors

Our Audit and Risk Committee is responsible for the compensation, retention and oversight of our independent statutory auditors. It assesses the performance and qualification of our statutory auditors and submits its proposal for appointment, reappointment or removal of our statutory auditors to the full Board. As required by the Swiss Code of Obligations, our Board then submits its proposal to the shareholders for their vote at the Annual General Meeting (AGM). In contrast, under NYSE listing standards, the audit committee for US domestic companies is responsible for the appointment of the independent auditors.

Supervision of the Internal Audit Function

The CFO and the Audit and Risk Committee share the supervisory responsibility with respect to the internal audit function. In contrast, under NYSE standards, only the audit committee supervises the internal audit function.

Responsibility of the Compensation Committee for Performance Evaluations of Senior Management

In line with Swiss law, our Compensation Committee, together with the Board, proposes for shareholder approval at the AGM the maximum aggregate amount of compensation for the Board and the maximum aggregate amount of fixed and variable compensation for the Executive Committee of Alcon. Our shareholders elect each of the members of the Compensation Committee at the Annual General Meeting. In contrast, under NYSE standards, it is the responsibility of the compensation committee to evaluate senior management performance and to determine and approve, as a committee or together with the other independent directors, the compensation for senior officers and the board. US domestic companies listed on NYSE are only required to provide shareholders a periodic advisory non-binding vote on a company's executive compensation practices.

Shareholders' Votes on Equity Compensation Plans

Swiss law authorizes the Board to approve equity-based compensation plans. Shareholder approval is only mandatory if equity-based compensation plans require an increase in capital. No shareholder approval is required if shares for issuance under such plans are purchased by the issuer in the open market. In contrast, the NYSE standards require shareholder approval for the establishment of and material revisions to all equity compensation plans.

6.D. EMPLOYEES

The table below sets forth the breakdown of the total year-end number of our full-time equivalent employees by main category of activity for the past three years.

	For the year ended December 31,		
	2021	2020	2019
Production & Supply	12,362	12,237	11,026
Marketing & Sales	7,893	7,450	7,301
General & Administration	2,180	2,087	2,120
Research & Development (including support)	1,954	1,881	1,695
Total full-time equivalent employees	24,389	23,655	22,142

Unions or works councils represent a significant number of our associates. We have not experienced any material work stoppages in recent years, and we consider our employee relations to be good.

6.E. SHARE OWNERSHIP

The information set forth under “Item 6.B. Compensation” is incorporated by reference. Also, refer to Note 24 to the Consolidated Financial Statements for a discussion of our equity-based compensation programs.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A. MAJOR SHAREHOLDERS

The information set forth under "Item 6. Directors, Senior Management and Employees—6.C. Board Practices—Corporate Governance" is incorporated by reference.

7.B. RELATED PARTY TRANSACTIONS

None.

7.C. INTERESTS OF EXPERTS AND COUNSEL

Not Applicable.

ITEM 8. FINANCIAL INFORMATION

8.A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Please refer to the financial statements beginning on page F-1 of this Annual Report.

Legal Proceedings

From time to time, we may become involved in litigation or may receive inquiries from regulatory authorities, including antitrust and competition authorities in various jurisdictions relating to matters arising from the ordinary course of business. In addition, we are from time to time and may in the future be subject to audit or investigation by tax authorities in the ordinary course of business in the various jurisdictions in which we operate. Our management believes that, except as described below, there are currently no claims or actions pending against us, the ultimate disposition of which could have a material adverse effect on our results of operations, financial condition or cash flows.

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 and the claims are being vigorously contested. Trial is set for March 28, 2022.

JJSVI patent dispute

On June 23, 2020, Johnson & Johnson Surgical Vision, Inc. ("JJSVI"), acting through its subsidiaries, filed a patent infringement action in the US District Court in Delaware alleging that the manufacture, use, sale, offer for sale and/or importation of Alcon's *LenSx* Laser System willfully infringes, directly and/or indirectly, one or more claims of 12 US patents. JJSVI subsequently amended its complaint to include copyright infringement claims relating to source code used in the *LenSx* Laser System as well as additional claims of patent infringement. Also beginning on June 23, 2020, JJSVI filed claims in Mannheim, Germany, alleging that Alcon directly infringes certain European patents through its manufacture and sale of *LenSx*. In these cases, JJSVI seeks monetary and injunctive relief. Alcon intends to defend all of these cases vigorously and has asserted various patent infringement and invalidity claims against JJSVI in Europe and the United States. The Delaware court has stayed the parties' US patent claims pending final written decisions by the Patent Trial and Appeal Board of the US Patent and Trademark Office in various ongoing *inter partes* review proceedings pertaining to the patents in the suit. Trial on the copyright claims in the Delaware action is set for February 2023.

Hoya patent dispute

On December 11, 2020, Hoya Corporation and one of its affiliates filed suit against Alcon in the US District Court for the Northern District of Texas alleging that Alcon's *UltraSert* Pre-Loaded Delivery System infringes six of Hoya's US patents. The court denied in part Alcon's motion to dismiss Hoya's complaint on September 20, 2021. Trial is set for April 2023. Alcon intends to defend the case vigorously.

Dividend Policy

Alcon expects that it will continue to recommend to shareholders the payment of a regular annual cash dividend based on the prior year's core net income; however, the declaration, timing and amount, including potential increases, of any dividends will be subject to the approval of our shareholders at a General Meeting. The determination of the Board as to whether to recommend a dividend and the approval of any such proposed dividend by our shareholders will depend upon many factors, including our financial condition, earnings, corporate strategy, capital requirements of our operating subsidiaries, covenants, legal requirements and other factors deemed relevant by the Board and shareholders. For additional information, see "Item 3. Key Information—3.D. Risk Factors—Risks related to the Ownership of our Shares—We may not pay or declare dividends".

For information about deduction of the withholding tax or other duties from dividend payments, see "Item 10. Additional Information—10.E. Taxation—Swiss Taxation—Swiss Residents—Withholding Tax on Dividends" and "Item 10. Additional Information—10.E. Taxation—US Federal Income Taxation—Distributions on the Shares".

Past Dividends

On February 23, 2021, the Alcon Board of Directors proposed a dividend of CHF 0.10 per share which was subsequently approved by the shareholders at the Annual General Meeting on April 28, 2021 and paid in May 2021 for an amount of \$54 million.

8.B. SIGNIFICANT CHANGES

A discussion of significant changes in our business can be found under "Item 4. Information on the Company —4.A. History and Development of the Company", "Item 4. Information on the Company — 4.B. Business Overview" and "Item 5. Operating and Financial Review and Prospects — 5.A. Operating Results".

ITEM 9. THE OFFER AND LISTING

9.A. OFFER AND LISTING DETAILS

Alcon Inc. shares are listed on the SIX and the NYSE as global registered shares under the trading ticker “ALC”. As such, they can be traded and transferred across applicable borders, without the need for conversion, with identical shares traded on different stock exchanges in different currencies. During 2021, the average daily trading volume of Alcon Inc. shares was approximately 0.9 million shares on the SIX and approximately 0.8 million shares on the NYSE.

As of the date of this Annual Report, our shares are included in a number of indices, including the “Swiss Market Index”, or SMI, the principal Swiss index published by the SIX. This index contains 20 of the largest and most liquid stocks based on market capitalization and the most active stocks listed on the SIX. The SMI indicates trends in the Swiss stock market as a whole and is one of the most widely followed stock price indices in Switzerland.

9.B. PLAN OF DISTRIBUTION

Not applicable.

9.C. MARKETS

See “Item 9.A. Offer and listing Details.”

9.D. SELLING SHAREHOLDERS

Not applicable.

9.E. DILUTION

Not applicable.

9.F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A. SHARE CAPITAL

Not Applicable.

10.B. MEMORANDUM AND ARTICLES OF ASSOCIATION

We incorporate by reference into this Annual Report the description of our Articles of Incorporation and our Regulations of the Board contained in our Registration Statement on Form 20-F, as amended, initially filed with the SEC on November 13, 2018 (File No. 001-31269).

10.C. MATERIAL CONTRACTS

Bridge Loan, Term Loan and Revolving Credit Facilities

In connection with the Spin-off, we entered into a \$1.5 billion unsecured 364-day bridge loan facility with two extension options, each for a period of 180 days (the “Bridge Facility”), a \$0.5 billion unsecured three-year term loan facility (“Facility A”), a \$0.8 billion unsecured five-year term loan facility (“Facility B”), a \$0.4 billion (or the equivalent in EUR) unsecured five-year term loan facility (“Facility C”) and a \$1.0 billion unsecured five-year committed multicurrency revolving credit facility (the “Revolving Facility” and, together with the Bridge Facility, Facility A, Facility B and Facility C, the “Facilities” and the related agreement, the “Group Facilities Agreement”). In February 2021, the Revolving Facility term was extended to March 2026.

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

Prior to the Spin-off, we borrowed an aggregate of approximately \$3.2 billion under the Facilities and paid to Novartis approximately \$3.0 billion of the net proceeds of the Bridge Facility, Facility A, Facility B and Facility C, including in satisfaction of certain intercompany indebtedness owed by Alcon and its subsidiaries to Novartis and its affiliates. We retained the remaining net proceeds of such Facilities for general corporate and working capital purposes. In September 2019, we used the proceeds of our Initial Notes Offering (as defined below) to pay off in full the Bridge Facility and Facility A. The Bridge Facility and Facility A are no longer available to us for borrowings.

We are permitted to voluntarily prepay loans under the Facilities, in whole or in part, without penalty or premium subject to certain minimum prepayment amounts and the payment of accrued interest on the amount prepaid and customary breakage costs.

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

The Facilities originally bore interest at a rate equal to the interest rate benchmark (EURIBOR in the case of loans denominated in EUR, USD LIBOR in the case of loans denominated in USD and CHF LIBOR in the case of loans denominated in CHF), plus an applicable margin. On December 14, 2021, we amended the terms of the Facilities in response to interest rate benchmark reform, which includes the replacement of certain interbank offered rates with alternative benchmark rates. The amended terms incorporate a mechanism to switch from the Facilities’ original interest rates to compounded risk free rates, including any relevant credit adjustment spread.

As of December 31, 2021, \$1.2 billion of borrowings was outstanding under the Facilities. Such indebtedness requires us to dedicate a portion of our future cash flows to payments on our debt, reducing our ability to use our cash flows to pay dividends, fund capital expenditures, BD&L or other strategic transactions, working capital and other general operational requirements.

2019 Bond Offering

On September 23, 2019, Alcon Finance Corporation (the "Issuer"), an indirect, wholly owned subsidiary of Alcon, completed an offering of \$500,000,000 aggregate principal amount of its 2026 Notes, \$1,000,000,000 aggregate principal amount of its 2029 Notes and \$500,000,000 aggregate principal amount of its 2049 Notes (collectively, the "Initial Notes"). The Initial Notes were issued under an Indenture, dated September 23, 2019 (the "Indenture"), by and among the Issuer, Alcon Inc. and Citibank, N.A., as trustee (the "Trustee"). The Initial Notes are senior unsecured obligations of the Issuer and are fully and unconditionally guaranteed on a senior basis by Alcon.

Interest is payable on the Initial Notes on March 23 and September 23 of each year, beginning on March 23, 2020. The 2026 Notes will mature on September 23, 2026, the 2029 Notes will mature on September 23, 2029 and the 2049 Notes will mature on September 23, 2049.

The Issuer may redeem the 2026 Notes prior to July 23, 2026 (the date that is two months prior to their maturity date), the 2029 Notes prior to June 23, 2029 (the date that is three months prior to their maturity date) or the 2049 Notes prior to March 23, 2049 (the date that is six months prior to their maturity date) at a redemption price equal to 100% of the principal amount of the applicable series of Initial Notes plus a "make-whole premium" and accrued and unpaid interest, if any, up to, but excluding, the redemption date. The Issuer may also redeem the 2026 Notes on or after the date that is two months prior to their maturity date, the 2029 Notes on or after the date that is three months prior to their maturity date or the 2049 Notes on or after the date that is six months prior to their maturity date at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

In addition, the Issuer may redeem any series of the Initial Notes at its option, in whole, but not in part, for cash, at any time prior to their respective maturities at a price equal to 100% of the outstanding principal amount of such Initial Notes, plus accrued and unpaid interest, to, but excluding, the redemption date, if certain tax events occur that would obligate the Issuer to pay additional amounts as described in the Indenture.

Subject to certain limitations, in the event of a change of control triggering event, the Issuer will be required to make an offer to purchase each series of the Initial Notes at a price equal to 101% of the principal amount of the Initial Notes, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase.

The Indenture also contains certain limitations on the Issuer's ability to incur liens, as well as customary events of default.

2020 Bond Offering

On May 27, 2020, the Issuer completed an offering of an additional \$750,000,000 aggregate principal amount of its 2030 Notes. The 2030 Notes were issued under the same Indenture as the Initial Notes. The 2030 Notes are senior unsecured obligations of the Issuer and are fully and unconditionally guaranteed on a senior basis by Alcon.

Interest is payable on the 2030 Notes on May 27 and November 27 of each year, beginning on November 27, 2020. The 2030 Notes will mature on May 27, 2030.

The Issuer may redeem the 2030 Notes prior to February 27, 2030 (the date that is three months prior to their maturity date) at a redemption price equal to 100% of the principal amount of the 2030 Notes plus a "make-whole premium" and accrued and unpaid interest, if any, up to, but excluding, the redemption date. The Issuer may also redeem the 2030 Notes on or after the date that is three months prior to their maturity date at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

In addition, the Issuer may redeem the 2030 Notes at its option, in whole, but not in part, for cash, at any time prior to their respective maturities at a price equal to 100% of the outstanding principal amount of such 2030 Notes, plus accrued and unpaid interest, to, but excluding, the redemption date, if certain tax events occur that would obligate the Issuer to pay additional amounts as described in the Indenture.

Subject to certain limitations, in the event of a change of control triggering event, the Issuer will be required to make an offer to purchase the 2030 Notes at a price equal to 101% of the principal amount of the 2030 Notes, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase.

The Indenture also contains certain limitations on the Issuer's ability to incur liens, as well as customary events of default.

Acquisition Agreement

On November 5, 2021, Alcon exercised its option to purchase Ivantis, Inc. pursuant to an Option Agreement and Plan of Merger by and among Alcon Research, LLC, Ithaca Merger Sub, Inc., and Ivantis, Inc., dated as of November 9, 2018 (as subsequently amended, the "Merger Agreement"). Pursuant to the Merger Agreement, Alcon agreed to pay total upfront

consideration of \$475 million and potential contingent payments upon the achievement of certain regulatory and commercial milestones. As a result of the merger, which closed on January 7, 2022, Ivantis, Inc. became a wholly-owned subsidiary of Alcon. The transaction expanded Alcon's Surgical portfolio to include the *Hydrus* microstent, a minimally-invasive glaucoma surgery (MIGS) device for the treatment of mild-to-moderate glaucoma.

10.D. EXCHANGE CONTROLS

There are no Swiss governmental laws, decrees or regulations that restrict, in a manner material to Alcon, the export or import of capital, including any foreign exchange controls, or that generally affect the remittance of dividends or other payments to non-residents or non-citizens of Switzerland who hold Alcon shares.

10.E. TAXATION

The taxation discussion set forth below is intended only as a general summary and does not purport to be a complete analysis or listing of all potential tax considerations relevant to the ownership or disposition of our shares. The statements of US and Swiss tax laws set forth below are based on the laws and regulations in force as of the date of this Annual Report, including the current Convention Between the United States and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income, entered into force on December 19, 1997 (the "Treaty"), and the US Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, rulings, judicial decisions and administrative pronouncements, all as in effect on the date hereof, and all of which are subject to change (possibly with retroactive effect) and to differing interpretations.

Swiss Taxation

The following is a general summary of certain tax consequences relating to owning and disposing of Alcon shares based on the Swiss tax laws and regulations and regulatory practices in force on the date of this Annual Report. Tax consequences are subject to changes in applicable law (or subject to changes in interpretation), including changes that could have a retroactive effect.

This is not a complete summary of the potential Swiss tax effects relevant to the Alcon shares nor does the summary take into account or discuss the tax laws of any jurisdiction other than Switzerland. For example, this summary does not address estate, gift, inheritance, capital or wealth taxes. It also does not take into account investors' individual circumstances. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to any particular investor.

YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR WITH RESPECT TO ACQUIRING, OWNING AND DISPOSING OF ALCON SHARES.

Swiss Residents

Withholding Tax on Dividends

Dividends that we pay and any similar cash or in-kind distributions we may make to a holder of our shares (including distributions of liquidation proceeds in excess of the nominal value, stock dividends and, under certain circumstances, proceeds from repurchases of shares by us in excess of the nominal value) are generally subject to a Swiss federal withholding tax (the "Withholding Tax") at a current rate of 35%. Under certain circumstances distributions out of capital contribution reserves made by shareholders after December 31, 1996 are exempt from the Withholding Tax. We are required to withhold this Withholding Tax from the gross distribution and to pay the Withholding Tax to the Swiss Federal Tax Administration. The Withholding Tax is refundable in full to Swiss residents who are the beneficial owners of the taxable distribution at the time it is resolved and duly report the gross distribution received on their personal tax return or in their financial statements for tax purposes, as the case may be.

The Swiss corporate tax reform, which entered into force on January 1, 2020, requires that Swiss listed companies must make distributions as dividends subject to Withholding Tax to the extent distributions are made out of capital contribution reserves, which, as described above, are not subject to Withholding Tax.

Swiss Issuance Stamp Duty

Switzerland levies a one-time Issuance Stamp Duty (*Emissionsabgabe*) on the issuance of corporate equity capital by Swiss companies. A 1% Swiss Issuance Stamp Duty applies to capital contributions received for the issuance of corporate shares, non-voting shares, participation rights, as well as informal capital contributions in cash or in kind for no consideration.

Swiss Transfer Stamp Duty upon Transfer of Securities

The sale of our shares, whether by Swiss residents or Non-resident Holders, may be subject to federal securities Transfer Stamp Duty (*Umsatzabgabe*) of 0.15%, calculated on the gross sale proceeds, if the sale occurs through or with a Swiss bank or other Swiss securities dealer (*Effekthändler*), as defined in the Swiss Federal Stamp Duty Act. The Transfer Stamp Duty has to be paid by the securities dealer and may be charged to the parties in a taxable transaction who are not securities dealers. In addition to this Transfer Stamp Duty, the sale of shares by or through a member of the SIX may be subject to a minor stock exchange levy.

Income Tax on Dividends

A Swiss Holder who holds Alcon shares as private assets ("Swiss Resident Private Shareholder") is required to report the receipt of dividends and similar distributions (including stock dividends and liquidation surplus) in its individual income tax

returns and is subject to Swiss federal, cantonal and communal income tax on any net taxable income for the relevant tax period.

A Swiss Holder who is Swiss resident for tax purposes, a non-Swiss individual who is subject to Swiss income tax for reasons other than residency and a legal entity tax resident in Switzerland, in each case that holds Alcon shares as business assets, and a non-Swiss tax resident legal entity that holds Alcon shares as part of a Swiss permanent establishment or fixed place of business (each, a "Swiss Resident Commercial Shareholder") is required to recognize dividends and similar distributions (including stock dividends and liquidation surplus) on Alcon shares in its income statement for the relevant taxation period and is subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings for such taxation period. The same tax treatment also applies to a Swiss Holder who, for income tax purposes, is classified as a "professional securities dealer" for reasons of, *inter alia*, frequent dealing, or leveraged investments, in shares and other securities. Swiss Resident Commercial Shareholders who are corporate taxpayers may be eligible for a participation deduction (*Beteiligungszug*) in respect of dividends if the Alcon shares held by them as part of a Swiss business have an aggregate market value of at least CHF 1 million.

Taxes upon Disposition of Alcon Shares

Capital gains realized on the sale or other disposal of Alcon shares held by a Swiss Resident Private Shareholder are generally not subject to any federal, cantonal or communal income taxation. However, gain realized upon a repurchase of shares by us may be characterized as taxable dividend income if certain conditions are met. Capital gains realized on shares held by a Swiss Resident Commercial Shareholder are, in general, included in the taxable income of such person.

Residents of Other Countries

Recipients of dividends and similar distributions on our shares who are neither residents of Switzerland for tax purposes nor holding shares as part of a business conducted through a permanent establishment situated in Switzerland ("Non-resident Holders") are not subject to Swiss income taxes in respect of such distributions. Moreover, gain realized by such recipients upon the disposal of our shares is not subject to Swiss income tax.

Non-resident Holders of our shares are, however, subject to the Withholding Tax on dividends and similar distributions mentioned above and under certain circumstances to the Transfer Stamp Duty described above. Such Non-resident Holders may be entitled to a partial refund of the Withholding Tax if the country in which they reside has entered into a bilateral treaty for the avoidance of double taxation with Switzerland. Non-resident Holders should be aware that the procedures for claiming treaty refunds (and the time frame required for obtaining a refund) may differ from country to country. Non-resident Holders should consult their own tax advisors regarding the receipt, ownership, purchase, sale or other dispositions of our shares and the procedures for claiming a refund of the Withholding Tax.

A Non-resident Holder of our shares will not be liable for any Swiss taxes other than the Withholding Tax described above and, if the transfer occurs through or with a Swiss bank or other Swiss securities dealer, the Transfer Stamp Duty described above. If, however, the shares of Non-resident Holders can be attributed to a permanent establishment or a fixed place of business maintained by such person within Switzerland during the relevant tax year, the shares may be subject to Swiss income taxes in respect of income and gains realized on the shares and such person may qualify for a full refund of the Withholding Tax based on Swiss tax law.

Residents of the United States

Non-resident Holders who are residents of the United States for purposes of the Treaty are eligible for a reduced rate of tax on dividends equal to 15% of the dividend, provided that such holders qualify for benefits under the Treaty and do not conduct business through a permanent establishment or fixed base in Switzerland to which our shares are attributable. Such holders should consult their own tax advisors regarding their eligibility to claim the reduced rate and the procedures for claiming a refund of the amount of the Withholding Tax in excess of the 15% Treaty rate.

International Automatic Exchange of Information in Tax Matters

On November 19, 2014, Switzerland signed the Multilateral Competent Authority Agreement, which is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of automatic exchange of information (the "AEOI"). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the "AEOI Act") entered into force on January 1, 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have been, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of specialty (i.e. the

information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection. The United States is not a treaty state.

Based on such multilateral agreements and bilateral agreements and the implementing laws of Switzerland, Switzerland has begun to collect data in respect of financial assets (including shares) held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU member state or in a treaty state from, depending on the effective date of the respective agreement, 2017 or 2018, as the case may be, and has begun to exchange such data in 2018 or 2019, as the case may be.

US Federal Income Taxation

The following discussion is a summary of the US federal income tax considerations generally applicable to the ownership and disposition of our shares. This summary is based on the Code, its legislative history, US Treasury Regulations, administrative guidance, published court decisions and the Treaty, all in effect as of the date hereof, and any of which may be repealed, revoked, or modified (possibly with retroactive effect) so as to result in US federal income tax consequences different from those discussed below. This summary is applicable to US Holders (as defined below) who are residents of the United States for purposes of the Treaty and who qualify for the full benefits of the Treaty. It applies only to US Holders that hold our shares as capital assets (generally, property held for investment purposes). This summary should not be construed to constitute legal or tax advice to any particular US Holder.

This summary does not apply to or address US Holders subject to special rules, including, without limitation, brokers, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, tax-exempt entities (including private foundations), insurance companies, banks, thrifts and other financial institutions, persons liable for alternative minimum tax, persons that hold an interest in an entity that holds our shares, persons that will own, or will have owned, directly, indirectly or constructively 10% or more (by vote or value) of our stock, persons that hold our shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for US federal income tax purposes or persons whose functional currency is not the US dollar.

*This summary does not purport to be a complete analysis of all of the potential US federal income tax considerations that may be relevant to US Holders in light of their particular circumstances. Further, it does not address any aspect of foreign, state, local or estate or gift taxation or the 3.8% Medicare tax imposed on certain net investment income. **Each US Holder is urged to consult its tax advisor regarding the application of US federal taxation to its particular circumstances and the, state, local, non-US and other tax considerations of the ownership and disposition of our shares.***

General

For purposes of this discussion, a “US Holder” is a beneficial owner of our shares that is, for US federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity or arrangement treated as a corporation for US federal income tax purposes) created in or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is includable in gross income for US federal income tax purposes regardless of its source; or
- a trust (A) the administration of which is subject to the primary supervision of a US court and which has one or more US persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a US person under the Code.

If a partnership (or other entity or arrangement treated as a partnership for US federal income tax purposes) is a beneficial owner of our shares, the tax treatment of a partner in the partnership that will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our shares and partners in such partnerships are urged to consult their tax advisors as to the particular US federal income tax consequences of an investment in our shares.

Distributions on the Shares

Subject to the passive foreign investment company (“PFIC”) rules discussed below, the gross amount of any distribution received by a US Holder with respect to our shares (including any amounts withheld to pay Swiss withholding taxes) generally will be included in the gross income of the US Holder as a dividend to the extent attributable to the Company’s current or accumulated earnings and profits, as determined under US federal income tax principles. The Company may not calculate its earnings and profits under US federal income tax rules. Accordingly, US Holders should expect that a

distribution generally will be treated as a dividend for US federal income tax purposes. Unless the Company is treated as a PFIC for the taxable year in which it pays a distribution or in the preceding taxable year (see “Passive foreign investment company rules” below), the Company believes that it may qualify as a “qualified foreign corporation,” in which case distributions treated as dividends and received by non-corporate US Holders may be eligible for a preferential tax rate. Distributions on our shares generally will not be eligible for the dividends received deduction available to US Holders that are corporations.

The amount of any dividend paid in Swiss francs (including any amounts withheld to pay Swiss withholding taxes) will be included in the gross income of a US Holder in an amount equal to the US dollar value of the Swiss francs calculated by reference to the exchange rate in effect on the date the dividend is actually or constructively received by the US Holder, regardless of whether the Swiss francs are converted into US dollars on such date. A US Holder will have a tax basis in the Swiss francs equal to their US dollar value on the date of receipt. If the Swiss francs received are converted into US dollars on the date of receipt, the US Holder generally should not be required to recognize foreign currency gain or loss in respect of the distribution. If the Swiss francs received are not converted into US dollars on the date of receipt, a US Holder may recognize foreign currency gain or loss on a subsequent conversion or other disposition of the Swiss francs. Such gain or loss generally will be treated as US source ordinary income or loss.

A US Holder may be entitled to deduct or credit Swiss withholding tax imposed on dividends paid to a US Holder, subject to applicable limitations in the Code. The rules governing the foreign tax credit are complex. US Holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale, Exchange or Other Taxable Disposition of Our Shares

Subject to the PFIC rules discussed below, a US Holder generally will recognize a capital gain or loss on the sale, exchange or other taxable disposition of our shares in an amount equal to the difference between the amount realized for the shares and the US Holder’s adjusted tax basis in the shares. Any capital gain or loss will be long-term capital gain or loss if the ordinary shares have been held for more than one year. Individuals and other non-corporate US Holders who have long-term capital gains will generally be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any capital gain or loss recognized by a US Holder generally will be treated as US source gain or loss for US foreign tax credit purposes.

Passive Foreign Investment Company Rules

A foreign corporation will be considered a PFIC for any taxable year in which (i) 75% or more of its gross income is “passive income” or (ii) 50% or more of the average quarterly value of its assets produce (or are held for the production of) “passive income.” For this purpose, “passive income” generally includes interest, dividends, rents, royalties and certain gains. We currently do not believe that we were a PFIC in the taxable year ending December 31, 2021, nor do we anticipate that we will be a PFIC in subsequent taxable years. However, the determination of PFIC status is based on an annual determination that cannot be made until the close of the taxable year, involves extensive factual investigation, including ascertaining the fair market value of all of our assets on a quarterly basis and the character of each item of income that we earn, and is subject to uncertainty in several respects. Accordingly, we cannot assure you that we will not be treated as a PFIC for the taxable year ending December 31, 2021, or any subsequent taxable year, or that the IRS will not take a contrary position.

Required Disclosure with Respect to Foreign Financial Assets

Certain US Holders are required to report information relating to their holding an interest in our shares, subject to certain exceptions (including an exception for shares held in accounts maintained by certain financial institutions), by attaching a completed IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in the shares. US Holders are urged to consult their tax advisors regarding information reporting requirements relating to their ownership of our shares.

10.F. DIVIDENDS AND PAYING AGENTS

Not applicable.

10.G. STATEMENTS BY EXPERTS

Not applicable.

10.H. DOCUMENTS ON DISPLAY

We maintain a website at the following address: www.alcon.com. The information on our website is not incorporated by reference in this Annual Report. We make available on or through our website certain reports and amendments to those reports that we file with or furnish to the SEC in accordance with the Exchange Act. We make this information available on our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC.

You may read and copy any reports or other information that we file through the Electronic Data Gathering, Analysis and Retrieval (EDGAR) system through the SEC's website on the Internet at www.sec.gov.

We also make certain other documents available to the public (such as our Board committee charters, press releases and investor presentations) on our website (www.alcon.com).

Any statement in this Annual Report about any of our contracts or other documents is not necessarily complete. If the contract or document is filed as an exhibit to this Annual Report, the contract or document is deemed to modify the description contained in this Annual Report. You must review the exhibits themselves for a complete description of the contract or document.

Unless stated otherwise in this Annual Report, none of these documents form part of this Annual Report.

10.I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The major financing risks faced by Alcon are managed by the Alcon treasury function. For information about the effects of currency and interest rate fluctuations and how we manage currency and interest risk, see "Item 5. Operating and Financial Review and Prospects—5.A. Operating Results" and "—5.B. Liquidity and Capital Resources". Please also see the information set forth under Note 18 to the Consolidated Financial Statements and related notes included elsewhere in this Annual Report.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

12.A. DEBT SECURITIES

Not applicable.

12.B. WARRANTS AND RIGHTS

Not applicable.

12.C. OTHER SECURITIES

Not applicable.

12.D. AMERICAN DEPOSITARY SHARES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of December 31, 2021, the end of the period covered by this Annual Report, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2021, the end of the period covered by this Annual Report, we maintained effective disclosure controls and procedures.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of internal control over financial reporting using the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2021.

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, audited the effectiveness of our internal control over financial reporting. PricewaterhouseCoopers LLP's attestation report on our internal control over financial reporting as of December 31, 2021 is included in Item 18 of this Annual Report.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the fiscal year ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE AND FINANCIAL EXPERT

Our Board has determined that Lynn D. Bleil, Scott Maw, Karen May and Dieter Spälti, each of whom serves on our Audit and Risk Committee ("ARC"), are independent for purposes of serving on the audit committee under Rule 10A-3 and the listing standards promulgated by the New York Stock Exchange and are audit committee financial experts.

ITEM 16B. CODE OF ETHICS

Our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer are bound to adhere to our Code of Business Conduct, which applies to all of our associates and members of our Board. Our Code of Business Conduct is available on our website at www.alcon.com/about-us/responsible-business-practice.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information set forth under "Item 6. Directors, Senior Management and Employees—6.C. Board Practices—Corporate Governance—Auditors—Auditing Fees and Additional Fees" is incorporated by reference.

Policy on Audit and Risk Committee Pre-Approval of Services of Principal Accountant

The Audit and Risk Committee has established a written policy to pre-approve, on an annual basis, all anticipated audit and non-audit services provided by our independent auditors ("Pre-Approval Policy"). These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to 12 months from the date of pre-approval, and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget.

The Pre-Approval Policy provides that the independent auditors may not perform any services for Alcon unless the independent auditors are engaged pursuant to the Pre-Approval Policy. In addition, the Pre-Approval Policy prohibits the Audit and Risk Committee from pre-approving certain non-audit services that are prohibited from being performed by the independent auditors by applicable securities laws. Management is required to periodically report to the Audit and Risk Committee regarding the extent of services provided by the independent auditors. In 2021, approximately 97% of audit-related, tax and other services provided by PwC were pre-approved.

In connection with its review and evaluation of non-audit services, the Audit and Risk Committee is required to and does consider and conclude that the provision of the non-audit services is compatible with maintaining the independence of the independent auditor.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Neither we nor any of our affiliated purchasers purchased any of our Ordinary Shares for the fiscal year ended December 31, 2021.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

The information set forth under “Item 6. Directors, Senior Management and Employees—6.C. Board Practices—Corporate Governance—Differences from Corporate Governance Standards Relevant to US-listed Companies” is incorporated by reference.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

See response to "Item 18. Financial Statements."

ITEM 18. FINANCIAL STATEMENTS

Please refer to the financial statements beginning on page F-1 of this Annual Report.

ITEM 19. EXHIBITS

Exhibit Number	Description
1.1	<u>Articles of Incorporation of Alcon Inc., as amended December 1, 2020 (English Translation) - incorporated by reference to Exhibit 1.1 to the Annual Report on Form 20-F (File No. 001-31269) filed with the Securities and Exchange Commission on February 23, 2021</u>
1.2	<u>Regulations of the Board of Directors of Alcon Inc., as amended May 6, 2020 (English Translation) - incorporated by reference to Exhibit 1.2 to the Annual Report on Form 20-F (File No. 001-31269) filed with the Securities and Exchange Commission on February 23, 2021</u>
2.1	<u>Description of rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934</u>
2.2	The total amount of long-term debt securities authorized under any instrument does not exceed 10% of the total assets of Alcon and its subsidiaries on a consolidated basis. We hereby agree to furnish to the SEC, upon its request, a copy of any instrument defining the rights of holders of long-term debt of Alcon or of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed.
4.11	<u>Facilities Agreement by and among Alcon Inc., as borrower, Bank of America Merrill Lynch International Designated Activity Company, BNP Paribas Fortis SA/NV, Citigroup Global Markets Limited, Morgan Stanley Bank International Limited and UBS AG, London Branch, as joint lead arrangers and joint bookrunners, and Citibank Europe PLC, UK Branch, as agent, dated as of March 6, 2019 - incorporated by reference to Exhibit 4.11 to the Registration Statement on Form 20-F (File No. 001-31269) filed with the Securities and Exchange Commission on March 13, 2019</u>
4.12	<u>Alcon Inc. Long Term Incentive Plan, as amended - incorporated by reference to Exhibit 4.12 to the Annual Report on Form 20-F (File No. 001-31269) filed with the Securities and Exchange Commission on February 25, 2020</u>
4.13	<u>Alcon Inc. Deferred Bonus Stock Plan, as amended - incorporated by reference to Exhibit 4.13 to the Annual Report on Form 20-F (File No. 001-31269) filed with the Securities and Exchange Commission on February 25, 2020</u>
4.14	<u>Alcon Swiss Employee Share Ownership Plan - incorporated by reference to Exhibit 99.3 to the Registration Statement on Form S-8 (File No. 333-230794) filed with the Securities and Exchange Commission on April 10, 2019</u>
4.15	<u>Alcon Laboratories Ireland Share Participation Scheme - incorporated by reference to Exhibit 99.4 to the Registration Statement on Form S-8 (File No. 333-230794) filed with the Securities and Exchange Commission on April 10, 2019</u>
4.16	<u>Alcon Inc. UK Share Incentive Plan, as amended - incorporated by reference to Exhibit 4.16 to the Annual Report on Form 20-F (File No. 001-31269) filed with the Securities and Exchange Commission on February 23, 2021</u>
4.17*	<u>Option Agreement and Plan of Merger by and among Alcon Research, Ltd., Ithaca Merger Sub, Inc., and Ivantis, Inc., dated as of November 9, 2018</u>
4.18*	<u>Amendment No. 1 to Option Agreement and Plan of Merger by and among Alcon Research, LLC, Ithaca Merger Sub, Inc., and Ivantis, Inc., dated as of December 16, 2019</u>
8.1	For a list of all principal subsidiaries of Alcon Inc., see "Item 18. Financial Statements-Note 28. Alcon subsidiaries".
12.1	<u>Certification of David J. Endicott, Chief Executive Officer of Alcon Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>
12.2	<u>Certification of Timothy C. Stonesifer, Chief Financial Officer of Alcon Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>
13.1	<u>Certification of David J. Endicott, Chief Executive Officer of Alcon Inc., Pursuant to 18 U.S.C Section 1350</u>
13.2	<u>Certification of Timothy C. Stonesifer, Chief Financial Officer of Alcon Inc., Pursuant to 18 U.S.C Section 1350</u>
15.1	<u>Consent of PricewaterhouseCoopers LLP</u>
101.SCH	Inline XBRL Taxonomy Extension Schema

101.CAL Inline XBRL Taxonomy Extension Calculation

101.DEF Inline XBRL Taxonomy Extension Definition

101.LAB Inline XBRL Taxonomy Extension Label

101.PRE Inline XBRL Taxonomy Extension Presentation

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*Certain portions of this exhibit have been redacted pursuant to Instruction 4(a) as to Exhibits of Form 20-F. The Company agrees to furnish supplementally an unredacted copy of the exhibit to the SEC or its Staff upon request.

Signatures

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this registration statement on its behalf.

Alcon Inc.

By:

/s/ David J. Endicott

Name: David J. Endicott

Title: Authorized Representative

By:

/s/ Timothy C. Stonesifer

Name: Timothy C. Stonesifer

Title: Authorized Representative

Date: February 15, 2022

CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC.

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CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC.

Consolidated Income Statement

(For the years ended December 31, 2021, 2020 and 2019)

(\$ millions except earnings/(loss) per share)	Note	2021	2020	2019
Net sales to third parties	5	8,222	6,763	7,362
Other revenues	5	69	70	146
Net sales and other revenues		8,291	6,833	7,508
Cost of net sales		(3,577)	(3,830)	(3,719)
Cost of other revenues		(62)	(63)	(127)
Gross profit		4,652	2,940	3,662
Selling, general & administration		(3,076)	(2,694)	(2,847)
Research & development		(842)	(673)	(656)
Other income		43	235	55
Other expense		(197)	(290)	(401)
Operating income/(loss)		580	(482)	(187)
Interest expense	6	(120)	(124)	(113)
Other financial income & expense	6	(42)	(29)	(32)
Income/(loss) before taxes		418	(635)	(332)
Taxes	7	(42)	104	(324)
Net income/(loss)		376	(531)	(656)
Earnings/(loss) per share (\$)				
Basic	8	0.77	(1.09)	(1.34)
Diluted	8	0.76	(1.09)	(1.34)
Weighted average number of shares outstanding (millions)				
Basic	8	490.0	489.0	488.2
Diluted	8	493.4	489.0	488.2

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

Consolidated Statement of Comprehensive Income/(Loss)

(For the years ended December 31, 2021, 2020 and 2019)

(\$ millions)	2021	2020	2019
Net income/(loss)	376	(531)	(656)
<i>Other comprehensive income to be eventually recycled into the Consolidated Income Statement:</i>			
Currency translation effects, net of taxes ⁽¹⁾	(58)	19	(4)
Total of items to eventually recycle	(58)	19	(4)
<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⁾	26	(14)	(55)
Fair value adjustments on equity securities, net of taxes ⁽³⁾	—	(7)	(2)
Total of items never to be recycled	26	(21)	(57)
Total comprehensive income/(loss)	344	(533)	(717)

(1) Amount is net of tax benefit of \$6 million in 2021.

(2) Amounts are net of tax expense of \$11 million in 2021, and net of tax benefits of \$13 million and \$11 million in 2020 and 2019, respectively.

(3) Amounts are net of tax benefits of \$3 million and \$5 million in 2020 and 2019, respectively.

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

Consolidated Balance Sheet

(At December 31, 2021 and 2020)

(\$ millions)	Note	2021	2020
Assets			
Non-current assets			
Property, plant & equipment	9	3,711	3,425
Right-of-use assets	16	372	358
Goodwill	10	8,905	8,905
Intangible assets other than goodwill	10	8,765	9,097
Deferred tax assets	11	409	399
Financial assets	12	217	218
Other non-current assets	12	234	211
Total non-current assets		22,613	22,613
Current assets			
Inventories	13	1,899	1,644
Trade receivables	14	1,496	1,361
Income tax receivables		9	21
Cash and cash equivalents	18	1,575	1,557
Other current assets	15	407	404
Total current assets		5,386	4,987
Total assets		27,999	27,600
Equity and liabilities			
Equity			
Share capital	8.1	20	20
Reserves		19,236	18,802
Total equity		19,256	18,822
Liabilities			
Non-current liabilities			
Financial debts	17	3,966	3,949
Lease liabilities	16	339	315
Deferred tax liabilities	11	1,026	1,196
Provisions & other non-current liabilities	19	940	1,060
Total non-current liabilities		6,271	6,520
Current liabilities			
Trade payables		903	876
Financial debts	17	114	169
Lease liabilities	16	67	70
Current income tax liabilities		187	149
Provisions & other current liabilities	20	1,201	994
Total current liabilities		2,472	2,258
Total liabilities		8,743	8,778
Total equity and liabilities		27,999	27,600

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

CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

Consolidated Statement of Changes in Equity

(For the years ended December 31, 2021, 2020 and 2019)

(\$ millions)	Share capital	Other reserves	Former parent net investment	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 December 31, 2018	—	—	22,650	(23)	(17)	29	(11)	22,639
Net (loss)		(547)	(109)				—	(656)
Other comprehensive (loss)				(2)	(55)	(4)	(61)	(61)
Total comprehensive (loss)	—	(547)	(109)	(2)	(55)	(4)	(61)	(717)
Movements of financing provided to former parent, net			(2,658)				—	(2,658)
Other transactions with former parent			(46)				—	(46)
Reclassification of deferred equity-compensation			(7)				—	(7)
Distribution by former parent of share capital	20	19,812	(19,832)				—	—
Equity-based compensation		87	—				—	87
Other movements ⁽²⁾		3	2				—	5
Total other movements	20	19,902	(22,541)	—	—	—	—	(2,619)
Balance as of December 31, 2019	20	19,355	—	(25)	(72)	25	(72)	19,303
Net (loss)		(531)	—				—	(531)
Other comprehensive income/(loss)				(7)	(14)	19	(2)	(2)
Total comprehensive (loss)	—	(531)	—	(7)	(14)	19	(2)	(533)
Equity-based compensation		70	—				—	70
Other movements ⁽²⁾		5	—		(23)		(23)	(18)
Total other movements	—	75	—	—	(23)	—	(23)	52
Balance as of December 31, 2020	20	18,899	—	(32)	(109)	44	(97)	18,822
Net income		376	—				—	376
Other comprehensive income/(loss)				—	26	(58)	(32)	(32)
Total comprehensive income	—	376	—	—	26	(58)	(32)	344
Dividends		(53)	—				—	(53)
Equity-based compensation		124	—				—	124
Other movements ⁽²⁾		10	—		9		9	19
Total other movements	—	81	—	—	9	—	9	90
Balance as of December 31, 2021	20	19,356	—	(32)	(74)	(14)	(120)	19,256

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

(2) Activity includes hyperinflationary accounting (see Note 3 to the Consolidated Financial Statements). The current year primarily includes an adjustment to actuarial gains to recognize plan assets related to the separation of a pension plan in the Spin-off from Novartis but which were not previously recorded. The year ended December 31, 2020 includes an adjustment to actuarial (losses) for other post-employment benefit obligation assumption changes directly related to the Spin-off on April 9, 2019 but which was not recorded at that time.

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

Consolidated Statement of Cash Flows

(For the years ended December 31, 2021, 2020 and 2019)

(\$ millions)	Note	2021	2020	2019
Net income/(loss)		376	(531)	(656)
<i>Adjustments to reconcile net income/(loss) to net cash flows from operating activities</i>				
Depreciation, amortization, impairments and fair value adjustments	21.1	1,220	1,626	1,456
Equity-based compensation expense		138	105	83
Non-cash change in current and non-current provisions and other non-current liabilities		57	(106)	(4)
Losses on disposal and other adjustments on property, plant & equipment and other non-current assets, net		13	42	5
Interest expense		120	124	113
Other financial income & expense		42	29	32
Taxes		42	(104)	324
Interest received		3	5	7
Interest paid		(108)	(105)	(67)
Other financial payments		(7)	(5)	(18)
Taxes paid		(175)	(97)	(224)
Net cash flows before working capital changes and net payments out of provisions and other non-current liabilities		1,721	983	1,051
Net payments out of provisions and other cash movements in non-current liabilities		(62)	(115)	(83)
Change in net current assets and other operating cash flow items	21.2	(314)	(45)	(48)
Net cash flows from operating activities		1,345	823	920
Purchase of property, plant & equipment		(700)	(479)	(553)
Proceeds from sale of property, plant & equipment		—	6	—
Purchase of intangible assets		(480)	(88)	(123)
Purchase of financial assets		(19)	(11)	(59)
Proceeds from financial assets		1	—	8
Purchase of other non-current assets		—	—	(1)
Acquisition of business, net	21.3	—	—	(283)
Net cash flows used in investing activities		(1,198)	(572)	(1,011)
Dividends paid to shareholders of Alcon Inc.	8.2	(54)	—	—
Movements of financing provided to former parent, net		—	—	(2,658)
Proceeds from non-current financial debts, net of issuance costs	21.4	52	744	3,724
Proceeds from Bridge Facility, net of issuance costs		—	—	1,495
Repayment of non-current financial debts		—	—	(509)
Repayment of Bridge Facility		—	—	(1,500)
Change in current financial debts	21.4	(43)	(139)	202
Lease payments	21.4	(72)	(69)	(52)
Change in other financial receivables from former parent		—	—	39
Change in other financial liabilities to former parent		—	—	(67)
Other financing cash flows		(6)	(70)	(15)
Net cash flows (used in)/from financing activities		(123)	466	659
Effect of exchange rate changes on cash and cash equivalents		(6)	18	27
Net change in cash and cash equivalents		18	735	595
Cash and cash equivalents at January 1		1,557	822	227
Cash and cash equivalents at December 31		1,575	1,557	822

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC.

1. Description of business

Alcon Inc. (the "Company") and the subsidiaries it controls (collectively "Alcon") is a leading eye care company. Alcon is a multinational company specializing in the research, development, manufacturing and marketing of a broad range of eye care products within two businesses: Surgical and Vision Care. Alcon is a stock corporation organized under the laws of Switzerland, domiciled in Fribourg, Switzerland, with global headquarters located in Geneva, Switzerland.

On February 28, 2019, Novartis AG ("Novartis" or "Former Parent") shareholders at their Annual General Meeting approved the proposed 100% spin-off of Alcon through the distribution of a dividend in kind of new Alcon shares to Novartis shareholders and Novartis American Depositary Receipt ("ADR") holders (the "Spin-off"), subject to completion of certain conditions precedent to the distribution. Amendment No. 6 to the Company's Registration Statement on Form 20-F filed with the Securities and Exchange Commission ("SEC") on March 22, 2019, ("2018 Form 20-F"), was declared effective by the SEC on that same day. On April 9, 2019, Novartis completed the Spin-off, which resulted in the Company becoming an independent, publicly-traded company. Each Novartis shareholder of record as of April 8, 2019 and each holder of Novartis' ADR of record as of April 1, 2019 received one share of Alcon common stock for every five shares of Novartis common stock or Novartis ADR held. The shares of the Company are listed on the SIX Swiss Stock Exchange ("SIX") and on the New York Stock Exchange ("NYSE") under the symbol "ALC".

The Consolidated Financial Statements of Alcon are comprised of the Consolidated Balance Sheet as of December 31, 2021 and 2020 and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income/(Loss), Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for each of the years ended December 31, 2021, 2020 and 2019.

The country of operation and percentage ownership of the legal entities with "Total assets" or "Net sales to third parties" in excess of \$5 million included in the Consolidated Financial Statements are disclosed in Note 28.

2. Basis of preparation

The accompanying Consolidated Financial Statements present our historical financial position, results of operations, comprehensive income/(loss), and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), including the basis of preparation as described in this Note and with the selected accounting policies as described in Note 3 to these Consolidated Financial Statements.

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

Relationship with Former Parent and affiliates prior to Spin-off

For the period in 2019 prior to the Spin-off, the financial statements were prepared on a combined basis for carve-out financial statements and were derived from Novartis' Consolidated Financial Statements and accounting records, which were prepared in accordance with IFRS. Through the date of the Spin-off, all revenues and expenses as well as assets and liabilities directly associated with Alcon have been included in the financial statements. For the period in 2019 prior to the Spin-off, the financial statements also included allocations of certain expenses for services provided by Novartis to Alcon and allocations of related assets, liabilities, and the Former Parent's invested capital, as applicable. The allocations were determined on a reasonable basis; however, the amounts are not necessarily representative of the amounts that would have been reflected in the financial statements had Alcon been an entity that operated independently of Novartis during the applicable periods. Refer to Note 25 to these Consolidated Financial Statements for additional disclosures.

The financial statements for the period in 2019 prior to the Spin-off include all Alcon subsidiaries and all Alcon business operated within Novartis Group subsidiaries over which Alcon has control, by applying the principles of IFRS 10, *Consolidated Financial Statements*. Alcon controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Both before and after the Spin-off, Alcon's associates participated in defined benefit pension and other postretirement plans sponsored by Novartis; in some countries these were single employer plans dedicated to the Alcon business associates and in other countries these were plans where associates of Alcon and associates of the Novartis Group are

participants. As of December 31, 2021, all defined benefit pension and other postretirement plans have been separated from Novartis. Refer to Note 23 to these Consolidated Financial Statements for additional disclosure on post-employment benefits for associates.

Income taxes attributable to the Alcon business in the financial statements were determined using the separate return approach, under which current and deferred income taxes are calculated as if a separate tax return had been prepared in each tax jurisdiction. In various tax jurisdictions, Alcon and Novartis businesses operated within the same legal entity and certain Alcon subsidiaries were part of a Novartis tax group. This required an assumption that the subsidiaries and operations of Alcon in those tax jurisdictions operated on a standalone basis and constitute separate taxable entities. Actual outcomes and results could differ from these separate tax return estimates, including those estimates and assumptions related to realization of tax benefits within these Novartis tax groups. Refer to Note 7 to these Consolidated Financial Statements for additional disclosures on income taxes.

Alcon's Equity in the financial statements for the periods prior to Spin-off represents the excess of total assets over total liabilities and was impacted by the following:

- Currency translation adjustments of the Novartis Group multi-divisional subsidiaries were allocated between Alcon and the Novartis retained businesses by applying allocation keys based on net assets of each respective business.
- Other transactions with Novartis Group as shown on the Consolidated Statement of Changes in Equity represent the movements in Equity resulting from the preparation of the financial statements in accordance with the basis of preparation described in this Note.
- Movements of financing provided to Novartis Group as shown on the Consolidated Statement of Changes in Equity and on the Consolidated Statement of Cash Flows primarily represent the net contributions from Alcon to Novartis Group.

Following the Spin-off, the Consolidated Financial Statements include the accounts of Alcon and no longer include any allocations from Novartis.

3. Selected accounting policies

Principles of consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. In the event that the Company has an interest in another entity that is not wholly owned, the assets, liabilities, results of operations and cash flows of such entity are included in the Company's Consolidated Financial Statements, if the Company is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Consolidated Financial Statements of the Company are prepared in accordance with IFRS as issued by the IASB. They are prepared in accordance with the historical cost convention except for items that are required to be accounted for at fair value. All intercompany transactions and accounts within Alcon were eliminated.

The Company's financial year-end is December 31, which is also the annual closing date of the individual entities' financial statements incorporated into the Consolidated Financial Statements.

Impact of the COVID-19 pandemic

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic. The pandemic triggered widespread shelter-in-place orders, business shutdowns and the deferral of non-urgent surgical procedures. Outbreaks of COVID-19 cases continued to occur in 2021 and localized responses remain unpredictable. The COVID-19 pandemic continued to have an impact on our financial results and operations in 2021, and it 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.

We have analyzed the impact of the COVID-19 pandemic on our financial statements for the twelve months ended December 31, 2021 and 2020, respectively. 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 COVID-19 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 Consolidated Financial Statements for the twelve months ended December 31, 2021 or 2020, respectively. However, the inherent uncertainties of COVID-19 including the

duration, scope, and severity of the pandemic may result in actual outcomes that differ materially from our current assumptions and estimates.

Foreign currencies

The Consolidated Financial Statements are presented in US dollars ("USD"). The functional currency of individual entities incorporated into the Consolidated Financial Statements is generally the local currency of the respective entity. The functional currency used for the reporting of certain Swiss entities is USD instead of their respective local currencies. This reflects the fact that the cash flows and transactions of these entities are primarily denominated in these currencies.

For entities not operating in hyperinflationary economies, the entities results, financial position and cash flows that do not have USD as their functional currency are translated into USD using the following exchange rates:

- Income, expense and cash flows using for each month the average exchange rate with the USD values for each month being aggregated during the year.
- Balance sheet using year-end exchange rates.
- Resulting exchange rate differences are recognized in other comprehensive income/(loss).

The hyperinflationary economies in which Alcon operates are Argentina and Venezuela, both of which were hyperinflationary for all years presented.

The impact of the restatement of the non-monetary assets and liabilities with the general price index at the beginning of the period an economy becomes hyperinflationary is recorded in "Other reserves" in equity. The subsequent gains or losses resulting from the restatement of non-monetary assets and liabilities are recorded in "Other financial income & expense" in the Consolidated Income Statement.

Acquisition of assets

Assets separately acquired are initially recognized on the balance sheet at cost if they meet the criteria for capitalization. The capitalized cost of the asset includes the purchase price and any directly attributable costs for bringing the asset into the condition to operate as intended. Expected costs for obligations to dismantle and remove property, plant and equipment when it is no longer used are included in their cost.

Property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Freehold land is not depreciated. The related depreciation expense is included in the costs of the functions using the asset or "Cost of net sales" in the Consolidated Income Statement.

Property, plant and equipment are assessed for impairment at the cash generating unit ("CGU") level whenever there is an indication that the balance sheet carrying amount may not be recoverable using cash flow projections for the useful life.

The following table shows the respective useful lives for property, plant and equipment:

	Useful life
Buildings and improvements	10 to 40 years
Machinery and other equipment	
Machinery and equipment	5 to 20 years
Furniture and vehicles	5 to 10 years
Computer hardware	3 to 7 years

Business combinations

Effective January 1, 2020, Alcon adopted Amendments to IFRS 3, *Business Combinations*. The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary may include:

- Fair values of the assets transferred;
- Liabilities incurred to the former owners of the acquired business;
- Equity interests issued by the Company;

- Fair value of an asset or liability resulting from a contingent consideration arrangement; and
- Fair value of any pre-existing equity interest in the subsidiary.

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

Acquisition related costs are expensed as incurred.

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

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

Goodwill and intangible assets

The annual impairment testing date is Alcon's financial year-end, December 31.

Goodwill

Goodwill arises in a business combination and is the excess of the consideration transferred to acquire a business over the underlying fair value of the net identified assets acquired. It is allocated to groups of CGUs which are usually represented by the reportable segments, which are the same as Alcon's operating segments. Goodwill is tested for impairment annually at the level of these groups of CGUs, and any impairment charges are recorded under "Other expense" in the Consolidated Income Statement.

Intangible assets available for use

Alcon has the following classes of available-for-use intangible assets: Currently marketed products, Marketing know-how, Technologies, Other intangible assets (including computer software) and the Alcon brand name.

Currently marketed products represent the composite value of acquired intellectual property, patents, and distribution rights and product trade names.

Marketing know-how represents the value attributable to the expertise acquired for marketing and distributing Alcon surgical products.

Technologies represent identified and separable acquired know-how used in the research, development and production processes.

Significant investments in internally developed and acquired software are capitalized and included in the "Other" category and amortized once available for use.

The Alcon brand name is shown separately as it is the only Alcon intangible asset that is available for use with an indefinite useful life. Alcon considers it appropriate that the brand name has an indefinite life since the branded products have a history of strong revenue and cash flow performance, and Alcon has the intent and ability to support the brand with spending to maintain its value for the foreseeable future.

Except for the Alcon brand name, intangible assets available for use are amortized over their estimated useful lives on a straight-line basis and evaluated for potential impairment whenever facts and circumstances indicate that their carrying value may not be recoverable. The Alcon brand name is not amortized, but evaluated for potential impairment annually.

The following table shows the respective useful lives for available-for-use intangible assets and the location in the Consolidated Income Statement in which the respective amortization and any potential impairment charge is recognized:

	Useful life	Income statement location for amortization and impairment charges
Currently marketed products	5 to 20 years	"Cost of net sales"
Marketing know-how	25 years	"Cost of net sales"
Technologies	10 to 20 years	"Cost of net sales" or "Research and Development"
Other (including software)	3 to 10 years	In the respective functional expense
Alcon brand name	Not amortized, indefinite useful life	"Other expense"

Acquired In-Process Research & Development ("IPR&D")

Acquired research and development intangible assets, which are still under development and have accordingly not yet obtained marketing approval, are recognized as IPR&D.

IPR&D is not amortized, but evaluated for potential impairment on an annual basis or when facts and circumstances warrant. IPR&D is considered impaired when its balance sheet carrying amount exceeds its estimated recoverable amount, which is defined as the higher of its fair value less costs of disposal ("FVL COD") and its value in use ("VIU"). Usually, Alcon applies the FVL COD method for its impairment assessments. Under this approach when evaluating IPR&D for potential impairment, FVL COD is estimated using net present value techniques utilizing post-tax cash flows and discount rates as there are no direct or indirect observable prices in active markets for identical or similar assets. The estimates used in calculating the net present values involve significant judgment by management and include assumptions with measurement uncertainty such as, the amount and timing of projected cash flows, long-term sales forecasts, discount rate, and the timing and probability of regulatory and commercial success. In the limited cases where the VIU method would be applied, net present value techniques would be applied using pre-tax cash flows and discount rates.

Any impairment charge is recorded in the Consolidated Income Statement under "Research & development".

Once a project included in IPR&D has been successfully developed it is transferred to the "Currently marketed products" category.

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

A CGU to which goodwill has been allocated (reportable segments) is considered impaired when its carrying amount, including the goodwill, exceeds its recoverable amount, which is defined as the higher of its FVL COD and its VIU. If the recoverable amount of the reportable segment is less than its carrying amount, an impairment loss shall be recognized. The impairment loss shall be allocated to reduce the carrying amount of any goodwill allocated to the reportable segment first, with any remaining impairment loss allocated to other assets of the reportable segment on a pro-rata basis of their carrying amount.

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

FVL COD reflects estimates of assumptions that market participants would be expected to use when pricing the asset or CGUs, and for this purpose management considers the range of economic conditions that are expected to exist over the remaining useful life of the asset.

The estimates used in calculating the net present values involve significant judgment by management and include assumptions with measurement uncertainty, such as the following:

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

Other assumptions used in the net present values calculation include:

- Future tax rate;
- Actions of competitors (launch of competing products, marketing initiatives, etc.); and
- Outcome of R&D activities and forecast of related costs (future product developments).

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

Discount rates used consider Alcon estimated weighted average cost of capital adjusted for specific country and currency risks associated with cash flow projections to approximate the weighted average cost of capital of a comparable market participant. Actual cash flows and values could vary significantly from forecasted future cash flows and related values derived using net present value techniques.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term and highly liquid investments with original or weighted-average maturities of three months or less which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are usually presented within current financial debts on the Consolidated Balance Sheet except in cases where a right of offset has been agreed with a bank which then allows for presentation on a net basis.

Financial assets

Non-current financial assets such as loans and long-term receivables from customers, primarily related to surgical equipment sales arrangements, advances and other deposits, are carried at amortized cost, which reflects the time value of money, less any allowances for uncollectable amounts.

Alcon assesses on a forward-looking basis the expected credit losses associated with its non-current financial assets valued at amortized cost.

For loans, advances and other deposits valued at amortized cost, impairments, which are based on their expected credit losses, and exchange rate losses are included in "Other expense" in the Consolidated Income Statement and exchange rate gains and interest income, using the effective interest rate method, are included in "Other income" in the Consolidated Income Statement.

For long-term receivables from customers, provisions for uncollectable amounts, which are based on their expected credit losses, are recorded as marketing and selling costs recognized in the Consolidated Income Statement within "Selling, general & administration" expenses.

Fund investments are valued at fair value through profit and loss ("FVPL"). Unrealized gains and losses, including exchange gains and losses, are recognized in the Consolidated Income Statement in "Other income" for gains and "Other expense" for losses.

Equity securities and convertible notes receivable held as strategic investments are generally designated at the date of acquisition as financial assets valued at fair value through other comprehensive income ("FVOCI") with no subsequent recycling through profit and loss. Unrealized gains and losses, including exchange gains and losses, are recorded as a fair value adjustment in the Consolidated Statement of Comprehensive Income/(Loss). They are reclassified to "Other reserves" when the equity security is sold. If these equity securities and convertible notes receivable are not designated at the date of acquisition as financial assets valued at FVOCI, they are valued at FVPL, as described above for fund

investments. Changes in fair value of options to acquire development stage companies are charged to research and development expense.

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

Inventories

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

Trade receivables

Trade receivables are initially recognized at their invoiced amounts, including any related sales taxes less adjustments for estimated revenue deductions such as chargebacks and cash discounts.

Provisions for expected credit losses are established using an expected credit loss model ("ECL"). The provisions are based on a forward-looking ECL, which includes possible default events on the trade receivables over the entire holding period of the trade receivable. These provisions represent the difference between the trade receivable's carrying amount and the estimated net collectible amount. Charges for doubtful trade receivables are recorded as marketing and selling costs recognized in the Consolidated Income Statement within "Selling, general & administration" expenses.

Leases

Effective January 1, 2019, Alcon adopted IFRS 16, *Leases*. As lessee, Alcon assesses whether a contract contains a lease at inception of a contract based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Alcon recognizes a right-of-use asset and a corresponding lease liability for all arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases for which Alcon has elected the recognition exemptions allowed under IFRS 16.

Right-of-use assets

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

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

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

Lease liabilities

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

Lease liabilities are remeasured for changes in estimated lease term, future lease payments arising from a change in an index or rate, amounts expected to be payable under a residual value guarantee, or in assessment of whether Alcon will exercise a purchase, extension or termination option. Changes to initial lease contract terms are assessed to determine their impact on the scope of lease, and any modifications increasing the scope of the lease are treated as new contracts.

under the initial measurement principles, while modifications that do not increase or that decrease the scope of the lease result in an adjustment to the right-of-use asset which is remeasured as of the date of the modification.

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

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the Consolidated Income Statement and are classified as cash flows from operating activities.

Legal liabilities

Alcon is subject to contingencies arising in the ordinary course of business such as patent litigation and other product-related litigation, commercial litigation, and governmental investigations and proceedings. Provisions are recorded where a reliable estimate can be made of the probable outcome of legal or other disputes.

Contingent consideration

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

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

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

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

Defined benefit pension plans and other post-employment benefits

The liability or asset recognized in the balance sheet in respect of defined benefit pension plans and other post-employment benefits is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating the terms of the related obligation. In countries where there is no sufficient market for such bonds, the market rates on government bonds are used.

The current service cost for such post-employment benefit plans is included in the personnel expenses of the various functions where the associates are employed. The net interest on the net defined benefit liability is recognized as "Other expense" or "Other income". The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. Past service cost is recognized as "Other expense" or "Other income" in the Consolidated Income Statement for the change in the present value of a defined benefit obligation for employee service in prior periods resulting from a plan amendment or a curtailment.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income/(loss).

Defined contribution plans

For defined contribution plans, Alcon contributes to publicly or privately administered plans. Alcon has no further payment obligations once the contributions have been paid. The contributions are included in the personnel expenses of the various functions where the associates are employed.

Financial debts

Financial debts are initially recognized at fair value, net of transaction costs incurred. Financial debts are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs and discounts) and the redemption amount is recognized in the Consolidated Income Statement over the period of the financial debts using the effective interest method. Fees paid on the establishment of credit facilities are recognized as transaction costs of the financial debt to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates, and is recognized in "Other financial income & expense" in the Consolidated Income Statement.

Financial debts are derecognized from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial debt that has been extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in "Other financial income & expense" in the Consolidated Income Statement.

Interest paid on financial debts is classified as operating activities in the Consolidated Statement of Cash Flows. Financial debts are classified as current liabilities unless Alcon has an unconditional right and intent to defer the settlement of the liability for at least twelve months after the reporting period.

Revenue

Net sales to third parties

Revenue on the sale of Alcon products and services, which is recorded as "Net sales to third parties" in the Consolidated Income Statement, is recognized when a contractual promise to a customer (i.e., a performance obligation) has been fulfilled by transferring control over the promised goods and services to the customer, substantially all of which is at the point in time of shipment to or receipt of the products by the customer or when the services are performed. If contracts contain customer acceptance provisions, revenue would be recognized upon the satisfaction of acceptance criteria. The amount of revenue to be recognized is based on the consideration Alcon expects to receive in exchange for its goods and services. If a contract contains more than one performance obligation, the consideration is allocated based on the relative standalone selling price of each performance obligation.

Surgical equipment may be sold together with other products and services under a single contract and may be structured as an outright cash sale, an installment sale, or lease. Surgical equipment installment sales and leases have a fixed payment amount which the customer may pay either in fixed intervals or as the customer purchases consumables and/or implantables. Revenues are recognized upon satisfaction of each of the performance obligations in the contract and the consideration is allocated based on the relative standalone selling price of each performance obligation.

- Surgical equipment revenue from outright cash sales and installment sales arrangements is recognized at the point in time when control is transferred to the customer. The current portion of long-term receivables from customers and long-term receivables from customers for installment sales arrangements are recorded in "Other current assets" (see "Current portion of long-term receivables from customers" in Note 15 of these Consolidated Financial Statements) and "Financial assets" (see "Long-term receivables from customers" in Note 12 of these Consolidated Financial Statements), respectively. Financing income for installment sales arrangements longer than twelve months is recognized over the term of the arrangement in "Other income". Alcon applies the practical expedient under IFRS 15 to installment sales arrangements that are twelve months or less in duration.
- In addition to cash and installment sales, revenue is recognized under finance and operating lease arrangements. Leases in which Alcon transfers substantially all the risks and rewards incidental to ownership to the customer are treated as finance lease arrangements. Revenue from finance lease arrangements is recognized at amounts equal to the fair value of the equipment, which approximates the present value of the minimum lease payments under the arrangements. As interest rates embedded in lease arrangements are approximately market rates, revenue under finance lease arrangements is comparable to revenue for outright sales. Finance income for arrangements longer than twelve months is deferred and subsequently recognized based on a pattern that approximates the use of the effective interest method and recorded in "Other income". Operating lease revenue for equipment rentals is recognized on a straight-line basis over the lease term in "Net sales to third parties".

The consideration Alcon receives in exchange for its goods or services may be fixed or variable. Variable consideration is only recognized when it is highly probable that a significant reversal of cumulative sales will not occur. The most common elements of variable consideration are listed below:

- Rebates and discounts granted to government agencies, wholesalers, retail pharmacies, managed health-care organizations and other customers, as well as chargebacks are provisioned and recorded as a deduction from revenue at the time the related revenues are recorded or when the incentives are offered. They are calculated on the basis of historical experience, regulations, the specific terms in the individual agreements, product pricing, channels and payors.
- Cash discounts are offered to customers to encourage prompt payment and are provisioned and recorded as revenue deductions at the time the related sales are recorded.
- Sales returns provisions are recognized and recorded as revenue deductions when there is historical experience of Alcon agreeing to customer returns and Alcon can reasonably estimate expected future returns. In doing so, the estimated rate of return is applied, determined based on historical experience of customer returns and considering any other relevant factors. This is applied to the amounts invoiced, also considering the amount of returned products to be destroyed versus products that can be placed back in inventory for resale. Where shipments are made on a re-sale or return basis, without sufficient historical experience for estimating sales returns, revenue is only recorded when there is evidence of consumption or when the right of return has expired.

Provisions for revenue deductions are adjusted to actual amounts as rebates, discounts, chargebacks and returns are processed. The provision represents estimates of the related obligations, requiring the use of judgment when estimating the effect of these sales deductions.

Other revenues

"Other revenues" include revenue from contract manufacturing services provided to the Former Parent which are recognized over time as the service obligations are completed and third party royalty income. Associated costs for contract manufacturing services are recognized in "Cost of other revenues".

Research & development

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

Payments made to third parties to in-license or acquire intellectual property rights and products, including initial upfront and subsequent milestone payments, are capitalized as intangible assets. If additional payments are made to the originator company to continue to perform R&D activities, an evaluation is made as to the nature of the payments. Such additional payments will be expensed if they are deemed to be compensation for subcontracted R&D services not resulting in an additional transfer of intellectual property rights to Alcon. Such additional payments will be capitalized if they are deemed to be compensation for the transfer to Alcon of additional intellectual property developed at the risk of the originator company. Subsequent internal R&D costs in relation to IPR&D and other assets are expensed until such time that technical feasibility can be proven, as demonstrated by the receipt of marketing approval for the related product from a regulatory authority in a major market.

Equity-based compensation

Each of the periods presented include expense related to incentive compensation provided to eligible Alcon associates in the form of equity-settled or equity-based awards including restricted stock units ("RSUs") and performance stock units ("PSUs").

Alcon expenses the fair values of RSUs and PSUs granted to associates as compensation over the related vesting periods within the various functions where the associates are employed. The fair values of the awards are determined on their grant dates and are adjusted to account for the specific provisions of each of the corresponding grant agreements.

Alcon RSUs do not entitle the recipients to dividends. As such, the fair value upon grant is based on the Alcon share price at the grant date adjusted for potential future dividends to be paid within the holding period. The fair value of these grants, after making adjustments for assumptions related to their forfeiture during the vesting period, is expensed on a straight-line basis over the respective vesting period.

PSUs are subject to certain performance criteria being achieved during the vesting period and require plan participants to provide services during the vesting period. PSUs granted under Alcon's plans are subject to performance criteria based on internal performance metrics. The expense is determined taking into account assumptions concerning performance during the period relative to targets and expected forfeitures due to plan participants not meeting their service conditions. These assumptions are periodically adjusted. Any change in estimates for past services is recorded immediately as an expense or income in the Consolidated Income Statement and amounts for future periods are expensed over the remaining vesting period. As a result, at the end of the vesting period, the total charge during the whole vesting period represents the amount that will finally vest. The number of equity instruments that finally vest is determined at the vesting date.

If a plan participant leaves Alcon for reasons other than retirement, disability or death, then unvested restricted shares, RSUs and PSUs are forfeited, unless determined otherwise by the provision of the plan rules or by the Compensation Committee of the Alcon Board of Directors, for example, in connection with a reorganization.

Restructuring charges

Restructuring provisions are recognized for the direct expenditures arising from the restructuring, where the plans are sufficiently detailed and where appropriate communication to those affected has been made.

Charges to increase restructuring provisions are included in "Other expense" in the Consolidated Income Statement. Corresponding releases are recorded in "Other income" in the Consolidated Income Statement.

Taxes

Taxes on income are expensed in the same periods as the revenues and expenses to which they relate and include any interest and penalties incurred during the period. Deferred taxes are determined using the comprehensive liability method and are calculated on the temporary differences that arise between the tax basis of an asset or liability and its carrying value in the balance sheet prepared for purposes of these Consolidated Financial Statements, except for those temporary differences related to investments in subsidiaries where the timing of their reversal can be controlled and it is probable that the difference will not reverse in the foreseeable future. Since the retained earnings are reinvested, withholding or other taxes on eventual distribution of a subsidiary's retained earnings are only taken into account when a dividend has been planned.

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

Earnings/(loss) per share

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

New standards and interpretations not yet adopted

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

4. Significant transactions

Significant transactions in 2021

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 has started to fully commercialize *Simbrinza* for the US market. Novartis retains all rights to Simbrinza® outside of the US.

Significant transactions in 2020

Series 2030 notes issuance

On May 27, 2020, Alcon, through its wholly owned subsidiary Alcon Finance Corporation ("AFC"), completed an offering of \$750 million of non-current financial debt consisting of 2.600% senior notes due 2030. The senior notes are described in Note 17 of these Consolidated Financial Statements.

Significant transactions in 2019

Refinancing of Bridge Facility and Facility A financial debts

On September 23, 2019, Alcon, through its wholly owned subsidiary AFC, refinanced \$2 billion of the bridge and term loans, which had been issued in April 2019, with \$500 million of 2.750% senior notes due 2026, \$1 billion of 3.000% senior notes due 2029, and \$500 million of 3.800% senior notes due 2049. The bridge and term loans, notes, and refinancing are described in Note 17 of these Consolidated Financial Statements.

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

The Spin-off was executed on April 9, 2019 as described in Note 1 of these Consolidated Financial Statements. The below transactions occurred in April 2019, immediately preceding the Spin-off.

On April 2, 2019, Alcon borrowed \$3.2 billion against the bridge and other term loans which were executed on March 6, 2019 and are described in Note 17 of these Consolidated Financial Statements. These borrowings increased Alcon's third party financial debts to \$3.5 billion at the date of Spin-off. Through a series of intercompany transactions, Alcon then paid approximately \$3.1 billion in cash to Novartis and its affiliates prior to the Spin-off, decreasing Alcon's net assets to approximately \$20.0 billion at the date of Spin-off.

Surgical - Acquisition of PowerVision, Inc.

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

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

5. Segment information

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

The businesses of Alcon are divided operationally on a worldwide basis into two identified reportable segments, Surgical and Vision Care. Alcon's reportable segments are the same as its operating segments as Alcon does not aggregate any operating segments in arriving at its reportable segments. As indicated below, certain income and expenses are not allocated to segments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

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 described in Note 2, and the selected accounting policies mentioned in Note 3 of these Consolidated Financial Statements, are used in the reporting of segment results.

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

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

Segment contribution excludes amortization and impairment charges for acquired product rights or other intangibles, general and administrative expenses for corporate activities, spin readiness and separation costs, transformation costs, fair value adjustments of 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. For a portion of the historical comparative periods only, the related corporate function costs were allocated to Alcon from its Former Parent.

Other income and expense items excluded from segment contribution include fair value adjustments of financial assets in the form of options to acquire a company carried at 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)	2021	2020	2019
Surgical			
Implantables	1,522	1,126	1,210
Consumables	2,388	1,952	2,304
Equipment/other	793	632	660
Total Surgical net sales to third parties	4,703	3,710	4,174
Vision Care			
Contact lenses	2,139	1,838	1,969
Ocular health	1,380	1,215	1,219
Total Vision Care net sales to third parties	3,519	3,053	3,188
Total net sales to third parties	8,222	6,763	7,362
Vision Care other revenues	69	70	146
Total net sales and other revenues	8,291	6,833	7,508

Segment contribution and reconciliation to income/(loss) before taxes

(\$ millions)	2021	2020	2019
Segment contribution:			
Surgical	1,184	672	957
Vision Care	604	419	580
Total segment contribution	1,788	1,091	1,537
Not allocated to segments:			
Amortization of intangible assets	(590)	(1,078)	(1,084)
Impairment charges on intangible assets	(225)	(167)	—
General & administration (corporate)	(251)	(232)	(216)
Separation costs	(36)	(217)	(237)
Spin readiness costs	—	—	(72)
Transformation costs	(68)	(49)	(52)
Fair value adjustments of contingent consideration liabilities	42	63	75
Past service costs for post-employment benefit plan amendments	18	154	(2)
Other	(98)	(47)	(136)
Operating income/(loss)	580	(482)	(187)
Interest expense	(120)	(124)	(113)
Other financial income & expense	(42)	(29)	(32)
Income/(loss) before taxes	418	(635)	(332)

Included in segment contribution are:

(\$ millions)	2021	2020	2019
Depreciation of property, plant & equipment:			
Surgical	(129)	(122)	(112)
Vision Care	(194)	(171)	(155)
Total depreciation of property, plant & equipment	(323)	(293)	(267)
Depreciation of right-of-use assets:			
Surgical	(50)	(47)	(42)
Vision Care	(31)	(32)	(24)
Total depreciation of right-of-use assets	(81)	(79)	(66)
Impairment charges on property, plant & equipment, net:			
Surgical	—	(6)	(3)
Vision Care	—	—	(5)
Total impairment charges on property, plant & equipment, net	—	(6)	(8)
Equity-based compensation:			
Surgical	(74)	(55)	(55)
Vision Care	(60)	(45)	(44)
Not allocated to segments	(17)	(13)	(15)
Total equity-based compensation	(151)	(113)	(114)

Geographical information

The following table shows the United States, International and countries that accounted for more than 5% of at least one of the respective Alcon totals, for net sales for the years ended December 31, 2021, 2020 and 2019, and for selected non-current assets at December 31, 2021 and 2020:

(\$ millions unless indicated otherwise) ⁽¹⁾	Net sales ⁽²⁾						Total of selected non-current assets ⁽³⁾			
	2021		2020		2019		2021		2020	
Country										
United States	3,651	44 %	2,975	44 %	3,055	41 %	10,200	47 %	10,309	47 %
International	4,571	56 %	3,788	56 %	4,307	59 %	11,553	53 %	11,476	53 %
thereof:										
Switzerland (country of domicile)	60	1 %	55	1 %	56	1 %	9,762	45 %	9,737	45 %
Japan	621	8 %	650	10 %	656	9 %	46	— %	63	— %
China	486	6 %	383	6 %	377	5 %	16	— %	16	— %
Other	3,404	41 %	2,700	40 %	3,218	44 %	1,729	8 %	1,660	8 %
Company total	8,222	100 %	6,763	100 %	7,362	100 %	21,753	100 %	21,785	100 %

(1) International percentages may not sum due to rounding.

(2) Net sales from operations by location of third-party customer.

(3) Includes property, plant & equipment, right-of-use assets, goodwill and other intangible assets.

No customer accounted for 10% or more of Alcon's net sales.

6. Interest expense and other financial income & expense

Interest expense

(\$ millions)	2021	2020	2019
Interest expense on financial debts	(95)	(94)	(81)
Interest expense from discounting long-term liabilities	(12)	(17)	(21)
Interest expense on lease liabilities	(13)	(13)	(11)
Total interest expense	(120)	(124)	(113)

Other financial income & expense

(\$ millions)	2021	2020	2019
Interest income	3	6	8
Loss on extinguishment of financial debt	—	—	(4)
Other financial expense	(10)	(9)	(18)
Monetary loss from hyperinflation accounting	(6)	(4)	(2)
Currency result, net	(29)	(22)	(16)
Total other financial income & expense	(42)	(29)	(32)

7. Taxes

Income/(loss) before taxes

(\$ millions)	2021	2020	2019
Switzerland	680	(585)	(274)
Foreign	(262)	(50)	(58)
Total income/(loss) before taxes	418	(635)	(332)

Current and deferred income tax (expense)/income

(\$ millions)	2021	2020	2019
Switzerland	(118)	(14)	(34)
Foreign	(116)	(105)	(168)
Current income tax expense	(234)	(119)	(202)
Switzerland	45	96	(246)
Foreign	147	127	124
Deferred tax income/(expense)	192	223	(122)
Total income tax (expense)/income	(42)	104	(324)

Analysis of tax rate

Alcon's overall applicable tax rate can change each year since it is calculated as the weighted average tax rate based on pre-tax income/(loss) of each subsidiary. The main elements contributing to the difference between Alcon's overall applicable tax rate and the effective tax rate are summarized in the below table.

	2021		2020		2019	
(\$ millions unless indicated otherwise)		%		%		%
Applicable tax rate	(39)	9.3 %	98	15.4 %	39	11.7 %
Effect of disallowed expenditures	(10)	2.4 %	(20)	(3.1)%	(23)	(6.9)%
Effect of equity-based compensation	(7)	1.7 %	(5)	(0.8)%	(1)	(0.3)%
Effect of income taxed at reduced rates	1	(0.2)%	4	0.6 %	2	0.6 %
Effect of tax credits and allowances	9	(2.2)%	9	1.4 %	7	2.1 %
Effect of deductibility of a statutory expense in Switzerland ⁽¹⁾	38	(9.1)%	—	— %	—	— %
Effect of adjustments to contingent consideration and other liabilities	7	(1.7)%	17	2.7 %	11	3.3 %
Effect of option payments	(2)	0.5 %	(6)	(0.9)%	(12)	(3.6)%
Effect of tax rate changes ⁽²⁾	(3)	0.7 %	10	1.6 %	(342)	(103.0)%
Effect of changes in uncertain tax positions ⁽³⁾	(39)	9.3 %	(8)	(1.3)%	10	3.0 %
Effect of other items	(3)	0.7 %	(10)	(1.6)%	(2)	(0.6)%
Effect of prior year items	6	(1.4)%	15	2.4 %	(13)	(3.9)%
Effective tax rate	(42)	10.0 %	104	16.4 %	(324)	(97.6)%

(1) Effect of deductibility of a statutory expense in Switzerland relates to an agreement for fiscal year 2021. It is uncertain whether Alcon will obtain a similar benefit in future years.

(2) Effect of tax rate changes in 2019 relates primarily to the adoption of the Swiss Tax Reform which resulted in a non-cash tax increase in tax expense of \$304 million for the re-measurement of the Swiss deferred tax balances and a \$31 million re-measurement of US deferred tax balances as a result of rate changes in the US following legal entity reorganizations executed related to the Spin-off.

(3) Effect of changes in uncertain tax positions in 2021 primarily relate to international transfer pricing and a partial reserve for the deductibility of a statutory expense in Switzerland.

Alcon has a substantial business presence in many countries and is therefore subject to different income and expense items that are non-taxable (permanent differences) or are taxed at different rates in those tax jurisdictions. This results in a difference between Alcon's applicable tax rate and effective tax rate as shown in the table above.

The applicable tax rate in 2021, 2020 and 2019 was impacted by pre-tax losses in certain tax jurisdictions. The fluctuation in taxes and effective tax rates, excluding Swiss tax reform, is primarily due to the geographical pre-tax income and loss mix across certain tax jurisdictions relative to Alcon's consolidated income/(loss) before taxes, changes in uncertain tax positions and certain non-recurring items.

8. Share capital, dividend and earnings/(loss) per share

8.1 Share capital

The share capital of the Company as of December 31, 2021 is CHF 20 million, which is comprised of 499.7 million registered shares, nominal value of CHF 0.04 per share.

The following table shows the movement in the shares:

(shares in millions)	Common stock shares outstanding	Treasury stock shares	Total shares
January 1, 2019	—	—	—
Distribution by former parent of share capital at Spin-off	488.2	0.5	488.7
Issuance of additional registered shares	—	3.0	3.0
Settlement of equity-based awards	0.1	(0.1)	—
December 31, 2019	488.3	3.4	491.7
Issuance of additional registered shares	—	8.0	8.0
Settlement of equity-based awards	0.9	(0.9)	—
December 31, 2020	489.2	10.5	499.7
Settlement of equity-based awards	0.9	(0.9)	—
December 31, 2021	490.1	9.6	499.7

On November 10, 2020 and November 19, 2019, the Company's Board of Directors approved increases of CHF 320,000 and CHF 120,000, respectively, out of the Company's authorized share capital through the issuance of 8.0 million and 3.0 million additional registered shares, respectively, nominal value CHF 0.04 per share, to fulfill the future vesting of existing and future equity-based awards. These additional shares were issued as treasury shares as part of the Company's authorized share capital according to the authority granted by the shareholders at the Company's Annual General Meeting held on January 29, 2019 and reflected in the Company's Articles of Incorporation as amended. While the transactions increased the number of shares available for issuance under the Company's equity-based compensation plans, there was no immediate impact on the number of shares outstanding or earnings per share calculations at the time of the transactions. The number of shares outstanding and earnings per share calculations will be impacted as shares are delivered to plan participants over the course of the next several years. All of the Company's 9.6 million shares held in treasury may only be used to fulfill the future vesting of existing and future equity-based awards. The authority to issue additional registered shares under the authorized share capital expired on January 29, 2021.

8.2 Dividend

On February 23, 2021, the Alcon Board of Directors proposed a dividend of CHF 0.10 per share which was subsequently approved by the shareholders at the Annual General Meeting on April 28, 2021 and paid in May 2021 for an amount of \$54 million.

8.3 Earnings/(loss) per share

Basic earnings/(loss) per share is computed by dividing net income/(loss) for the period by the weighted average number of common shares outstanding during the period. For the years ended December 31, 2021, 2020, and 2019 the weighted average number of shares outstanding was 490.0 million, 489.0 million and 488.2 million shares, respectively.

The only potentially dilutive securities are the outstanding unvested equity-based awards under the Company's equity-based incentive plans, as described in Note 24 to these Consolidated Financial Statements. Except when the effect would be anti-dilutive, the calculation of diluted earnings per common share includes the weighted average net impact of unvested equity-based awards. For the year ended December 31, 2021, the weighted average diluted number of shares outstanding was 493.4 million, which includes the potential conversion of 3.4 million unvested equity-based awards. For the years ended December 31, 2020 and 2019, 2.8 million and 1.9 million unvested equity-based awards, respectively, have been excluded from the calculation of diluted loss per share as their effect would be anti-dilutive.

The average market value of the Company's shares for the purposes of calculating the potentially dilutive effects of unvested equity-based awards was based on quoted market prices for the period that the unvested awards were outstanding.

9. Property, plant & equipment

The following table summarizes the movements of property, plant & equipment in 2021:

(\$ millions)	Land	Buildings & improvements	Construction in progress	Machinery & other equipment	Total
Cost					
January 1, 2021	35	1,884	573	3,425	5,917
Additions ⁽¹⁾	2	8	654	57	721
Disposals and derecognitions ⁽²⁾	—	(7)	(8)	(93)	(108)
Reclassifications for assets placed in service	—	146	(410)	264	—
Currency translation effects	(1)	(44)	(19)	(106)	(170)
December 31, 2021	36	1,987	790	3,547	6,360
Accumulated depreciation					
January 1, 2021	—	(716)	(8)	(1,768)	(2,492)
Depreciation charge	—	(107)	—	(216)	(323)
Disposals and derecognitions ⁽²⁾	—	5	7	83	95
Currency translation effects	—	16	—	55	71
December 31, 2021	—	(802)	(1)	(1,846)	(2,649)
Net book value at December 31, 2021	36	1,185	789	1,701	3,711

(1) Includes \$52 million in non-cash additions.

(2) Derecognition of assets that are no longer used and are not considered to have a significant disposal value or other alternative use.

As of December 31, 2021, commitments for purchases of property, plant & equipment were \$186 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

The following table summarizes the movements of property, plant & equipment in 2020:

(\$ millions)	Land	Buildings & improvements	Construction in progress	Machinery & other equipment	Total
Cost					
January 1, 2020	33	1,628	755	2,906	5,322
Additions ⁽¹⁾	2	7	479	74	562
Disposals and derecognitions ⁽²⁾	—	(7)	(10)	(105)	(122)
Reclassifications for assets placed in service	—	215	(705)	490	—
Other reclassifications	—	11	—	(11)	—
Currency translation effects	—	30	54	71	155
December 31, 2020	35	1,884	573	3,425	5,917
Accumulated depreciation					
January 1, 2020	—	(618)	(8)	(1,583)	(2,209)
Depreciation charge	—	(80)	—	(213)	(293)
Impairment charge	—	—	—	(6)	(6)
Disposals and derecognitions ⁽²⁾	—	4	—	70	74
Other reclassifications	—	(7)	—	7	—
Currency translation effects	—	(15)	—	(43)	(58)
December 31, 2020	—	(716)	(8)	(1,768)	(2,492)
Net book value at December 31, 2020	35	1,168	565	1,657	3,425

(1) Includes \$83 million in non-cash additions.

(2) Derecognition of assets that are no longer used and are not considered to have a significant disposal value or other alternative use.

As of December 31, 2020, commitments for purchases of property, plant & equipment were \$136 million.

10. Goodwill and other intangible assets

The following table summarizes the movements of goodwill and other intangible assets in 2021:

	Intangible assets other than goodwill							
(\$ millions)	Goodwill	Alcon brand name	Acquired research & development	Technologies	Currently marketed products	Marketing know-how	Other intangible assets (including software)	Total
Cost								
January 1, 2021	8,905	2,980	727	5,369	4,440	5,960	556	20,032
Additions	—	—	20	—	359	—	104	483
Reclassifications	—	—	(10)	—	10	—	—	—
Disposals and derecognitions ⁽¹⁾	—	—	—	—	(6)	—	(2)	(8)
December 31, 2021	8,905	2,980	737	5,369	4,803	5,960	658	20,507
Accumulated amortization								
January 1, 2021	—	—	—	(5,199)	(3,197)	(2,384)	(155)	(10,935)
Amortization charge	—	—	—	(39)	(235)	(238)	(78)	(590)
Disposals and derecognitions ⁽¹⁾	—	—	—	—	6	—	2	8
Impairment charges	—	—	(180)	—	(45)	—	—	(225)
December 31, 2021	—	—	(180)	(5,238)	(3,471)	(2,622)	(231)	(11,742)
Net book value at December 31, 2021	8,905	2,980	557	131	1,332	3,338	427	8,765

(1) Derecognitions of assets that are no longer used or being developed and are not considered to have a significant disposal value or other alternative use.

The following table summarizes the allocation of the net book values of goodwill and other intangible assets by reportable segment at December 31, 2021:

(\$ millions)	Intangible assets other than goodwill							Total
	Goodwill	Alcon brand name	Acquired research & development	Technologies	Currently marketed products	Marketing know-how	Other intangible assets (including software)	
Surgical	4,544	—	555	131	229	3,338	251	4,504
Vision Care	4,361	—	2	—	1,103	—	176	1,281
Not allocated to segments	—	2,980	—	—	—	—	—	2,980
Net book value at December 31, 2021	8,905	2,980	557	131	1,332	3,338	427	8,765

The Surgical and Vision Care reportable segments' CGUs, to which goodwill is allocated are comprised of a group of smaller CGUs. The valuation method of the recoverable amount of the CGUs, to which goodwill is allocated, is based on the FVL COD.

The Alcon brand name is an intangible asset with an indefinite life. The intangible asset is not allocated to the reportable segments as it is used to market the Alcon-branded products of both the Surgical and Vision Care businesses. Net sales of these products together are the grouping of CGUs, which is used to determine the recoverable amount. The valuation method is based on the FVL COD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

The following assumptions were used in the calculations for the recoverable amounts of goodwill and the Alcon brand name at December 31, 2021 and 2020:

(As a percentage)	2021		2020	
	Surgical	Vision Care	Surgical	Vision Care
Terminal growth rate	3.0	3.0	3.0	3.0
Discount rate (post-tax)	7.0	6.5	7.5	7.0

The Surgical and Vision Care reportable segments' terminal growth rate assumption of 3.0% takes into consideration how the industry is expected to grow, analysis of industry expert reports, and expected relevant changes in demographics for various markets. The discount rates for both Surgical and Vision Care reportable segments consider Alcon's weighted average cost of capital, adjusted to approximate the weighted average cost of capital of comparable market participants. Both the terminal growth rates and the discount rates are consistent with external sources of information.

The FVLCO, for all groupings of CGUs containing goodwill or indefinite life intangible assets, is reviewed for the impact of reasonably possible changes in key assumptions. In particular Alcon considered an increase in the discount rate, a decrease in the terminal growth rate and certain negative impacts on the forecasted cash flows. These reasonably possible changes in key assumptions did not indicate an impairment.

Refer to "Impairment of goodwill, Alcon brand name and definite lived intangible assets" and "Acquired In-Process Research & Development ("IPR&D")" in Note 3 in these Consolidated Financial Statements for additional disclosures on how Alcon performs goodwill and intangible asset impairment testing.

The following table summarizes the movements of goodwill and other intangible assets in 2020:

	Intangible assets other than goodwill							
	Goodwill	Alcon brand name	Acquired research & development	Technologies	Currently marketed products	Marketing know-how	Other intangible assets (including software)	Total
(\$ millions)								
Cost								
January 1, 2020	8,905	2,980	728	5,369	4,440	5,960	611	20,088
Additions	—	—	2	—	—	—	118	120
Disposals and derecognitions ⁽¹⁾	—	—	(3)	—	—	—	(173)	(176)
December 31, 2020	8,905	2,980	727	5,369	4,440	5,960	556	20,032
Accumulated amortization								
January 1, 2020	—	—	(3)	(4,692)	(2,842)	(2,146)	(174)	(9,857)
Amortization charge	—	—	—	(507)	(249)	(238)	(84)	(1,078)
Disposals and derecognitions	—	—	3	—	—	—	164	167
Impairment charges	—	—	—	—	(106)	—	(61)	(167)
December 31, 2020	—	—	—	(5,199)	(3,197)	(2,384)	(155)	(10,935)
Net book value at December 31, 2020	8,905	2,980	727	170	1,243	3,576	401	9,097

(1) Derecognitions of assets that are no longer used or being developed and are not considered to have a significant disposal value or other alternative use.

The following table summarizes the allocation of the net book values of goodwill and other intangible assets by reportable segment at December 31, 2020:

(\$ millions)	Intangible assets other than goodwill							Total
	Goodwill	Alcon brand name	Acquired research & development	Technologies	Currently marketed products	Marketing know-how	Other intangible assets (including software)	
Surgical	4,544	—	723	170	247	3,576	237	4,953
Vision Care	4,361	—	4	—	996	—	164	1,164
Not allocated to segments	—	2,980	—	—	—	—	—	2,980
Net book value at December 31, 2020	8,905	2,980	727	170	1,243	3,576	401	9,097

Intangible asset impairment charges

The following table shows the intangible asset impairment charges in 2021, 2020 and 2019:

(\$ millions)	2021	2020	2019
Surgical	(178)	(66)	—
Vision Care	(47)	(101)	—
Total	(225)	(167)	—

For the year ended December 31, 2021, impairment charges recognized in the Consolidated Income Statement amounted to \$225 million. Impairments of \$180 million were recognized in Research & development in 2021. Of that amount, an impairment charge of \$178 million was recognized in the third quarter of 2021 in Research & development to fully impair a CGU in the Surgical reportable segment upon a decision to suspend research and development efforts and commercialization of the product as Alcon prioritizes other products in the portfolio. An additional impairment charge of \$2 million was recognized in the fourth quarter of 2021 in Research & development to fully impair a licensed technology in the Vision Care reportable segment, which will no longer be used in any future research and development activities. The remaining amount of \$45 million relates to an impairment charge recognized in the first quarter of 2021 in Cost of net sales for a currently marketed product CGU in the Vision Care reportable segment due to lower expected sales. The CGU was reduced to its recoverable amount of \$48 million at the time of impairment.

For the year ended December 31, 2020, impairments amounted to \$167 million. An impairment of \$61 million was recognized in the third quarter of 2020, primarily to fully impair a CGU within the Vision Care reportable segment upon termination of the associated licensing agreement. The impairment was recognized in Research & development in the Consolidated Income Statement. The remaining amount relates to additional impairments of \$106 million, which were recognized in Cost of net sales in the Consolidated Income Statement in 2020. Of that amount, an impairment of \$41 million was recorded for a currently marketed product CGU within the Vision Care reportable segment due to lower expected sales. The CGU was reduced to its recoverable amount of \$88 million at the time of impairment in the second quarter of 2020. An additional \$65 million relates to impairments of a currently marketed product CGU in the Surgical reportable segment recognized in the first and fourth quarters of 2020 due to lower expected sales. This CGU was also reduced to its recoverable amount of \$65 million at the time of impairment at December 31, 2020.

The recoverable amount of each CGU was determined based on the FVLCO method. FVLCO was estimated using net present value techniques utilizing post-tax cash flows and discount rates as there are no direct or indirect observable prices in active markets for identical or similar assets. The estimates used in calculating the net present value involve significant judgment by management and include assumptions with measurement uncertainty. The estimates used are considered to be consistent with market participant assumptions and 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. Since the cash flow projections are a significant unobservable input, the fair value of the CGUs were classified as Level 3 in the fair value hierarchy. Actual cash flows and values could vary significantly from forecasted future cash flows and related values derived using net present value techniques.

There were no intangible asset impairment charges during the year ended December 31, 2019.

11. Deferred tax assets and liabilities

(\$ millions)	Property, plant & equipment	Intangible assets	Pensions and other benefit obligations of associates	Inventories	Tax loss carry- forwards	Other assets, provisions and accruals	Total
Gross deferred tax assets at December 31, 2020	24	5	128	381	174	314	1,026
Gross deferred tax liabilities at December 31, 2020	(215)	(1,519)	—	(23)	—	(66)	(1,823)
Net deferred tax balance at December 31, 2020	(191)	(1,514)	128	358	174	248	(797)
At December 31, 2020	(191)	(1,514)	128	358	174	248	(797)
(Charged)/credited to income	(27)	137	1	(9)	4	86	192
(Charged)/credited to equity	—	—	(2)	—	7	3	8
(Charged)/credited to other comprehensive income	—	—	(11)	—	3	(12)	(20)
Net deferred tax balance at December 31, 2021	(218)	(1,377)	116	349	188	325	(617)
Gross deferred tax assets at December 31, 2021	28	5	116	372	188	452	1,161
Gross deferred tax liabilities at December 31, 2021	(246)	(1,382)	—	(23)	—	(127)	(1,778)
Net deferred tax balance at December 31, 2021	(218)	(1,377)	116	349	188	325	(617)

The below table presents the Net deferred tax balance as of December 31, 2021 after offsetting \$752 million of deferred tax assets and liabilities within the same tax jurisdiction.

(\$ millions)	At December 31, 2021
Deferred tax assets	409
Deferred tax liabilities	(1,026)
Net deferred tax liabilities	(617)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

(\$ millions)	Property, plant & equipment	Intangible assets	Pensions and other benefit obligations of associates	Inventories	Tax loss carry-forwards	Other assets, provisions and accruals	Total
Gross deferred tax assets at December 31, 2019	13	6	151	371	110	281	932
Gross deferred tax liabilities at December 31, 2019	(172)	(1,713)	(10)	(23)	—	(46)	(1,964)
Net deferred tax balance at December 31, 2019	(159)	(1,707)	141	348	110	235	(1,032)
At December 31, 2019	(159)	(1,707)	141	348	110	235	(1,032)
(Charged)/credited to income	(32)	193	(33)	10	59	26	223
Credited/(charged) to equity	—	—	7	—	5	(16)	(4)
Credited to other comprehensive income	—	—	13	—	—	3	16
Net deferred tax balance at December 31, 2020	(191)	(1,514)	128	358	174	248	(797)
Gross deferred tax assets at December 31, 2020	24	5	128	381	174	314	1,026
Gross deferred tax liabilities at December 31, 2020	(215)	(1,519)	—	(23)	—	(66)	(1,823)
Net deferred tax balance at December 31, 2020	(191)	(1,514)	128	358	174	248	(797)

The below table presents the Net deferred tax balance as of December 31, 2020 after offsetting \$627 million of deferred tax assets and liabilities within the same tax jurisdiction.

(\$ millions)	At December 31, 2020
Deferred tax assets	399
Deferred tax liabilities	(1,196)
Net deferred tax liabilities	(797)

The below table presents deferred tax assets and deferred tax liabilities expected to have an impact on current taxes payable after more than twelve months.

(\$ billions)	At December 31, 2021	At December 31, 2020
Deferred tax assets	0.8	0.6
Deferred tax liabilities	1.7	1.8

For foreign unremitted earnings retained by consolidated entities for reinvestment, which amounted to \$9 billion as of December 31, 2021, no provision is made for income taxes that would be payable upon the distribution of these earnings. If these earnings were remitted, an income tax charge could result based on the tax statutes currently in effect.

IFRS exceptions to recognizing taxable temporary differences include an exception to recognizing a deferred tax liability arising on the initial recognition of goodwill from acquisitions. As such, we have not provided a deferred tax for goodwill from acquisitions which amounted to \$9 billion as of December 31, 2021 and 2020.

The gross value of capital loss carryforwards for which no deferred tax assets were recognized amounted to \$103 million at December 31, 2021 and will expire in five years. There were no capital loss carryforwards at December 31, 2020.

The gross value of tax loss carryforwards capitalized as deferred tax assets amounted to \$1,047 million at December 31, 2021 (\$921 million at December 31, 2020), of which \$2 million will expire in five years. Of the remaining \$1,045 million, approximately \$677 million have an indefinite carryforward period, and approximately \$368 million have a carryforward period that ranges from six to twenty years. All tax loss carryforwards have been capitalized as deferred tax assets in 2021 as it is probable that sufficient taxable income will be available for the foreseeable future.

No tax losses carried forward have expired in 2021, 2020 or 2019.

Swiss tax reform

On June 30, 2019, Swiss voters approved the Swiss Tax Reform and Old Age Insurance financing bill ("Swiss tax reform"). As a result, the corporate income tax rate applicable to Alcon's Swiss profits as of January 1, 2020 increased from approximately 9.4% in 2019 to approximately 14.2% beginning in 2020. This change resulted in a non-cash increase in tax expense of \$304 million related to the re-measurement of Swiss deferred tax assets and liabilities in 2019.

12. Financial and other non-current assets

The below tables provide details related to Financial assets and Other non-current assets as of December 31, 2021 and 2020.

Financial assets

(\$ millions)	2021	2020
Long-term financial investments measured at FVOCI	46	28
Long-term financial investments measured at FVPL	6	12
Long-term receivables from customers	110	117
Non-current minimum lease payments from finance lease agreements	35	39
Long-term loans, advances and security deposits	20	22
Total financial assets	217	218

Minimum lease payments from finance lease agreements

The following table shows the receivables of the gross investments in finance leases and the net present value of the minimum lease payments, as well as unearned finance income, related to surgical equipment lease arrangements. The finance income is recorded in "Other income".

(\$ millions)	2021					2020				
	Total future payments	Unearned interest income	Present value	Provision	Net book value	Total future payments	Unearned interest income	Present value	Provision	Net book value
Not later than one year ⁽¹⁾	32	(2)	30	(2)	28	33	(3)	30	(1)	29
Between one and five years	47	(2)	45	(12)	33	55	(3)	52	(18)	34
Later than five years	2	—	2	—	2	32	—	32	(27)	5
Total	81	(4)	77	(14)	63	120	(6)	114	(46)	68

(1) The current portion of the minimum lease payments is recorded in trade receivables or other current assets (to the extent not yet invoiced).

Other non-current assets

(\$ millions)	2021	2020
Deferred compensation plans	155	137
Prepaid post-employment benefit plans	25	24
Other non-current assets	54	50
Total other non-current assets	234	211

13. Inventories

The amount of inventory recognized as an expense in "Cost of net sales" in the Consolidated Income Statement during 2021 amounted to \$2.5 billion (2020: \$2.1 billion, 2019: \$2.2 billion). The amount of inventory recognized as an expense in "Cost of other revenues" in the Consolidated Income Statement during 2021 amounted to \$62 million (2020: \$63 million, 2019: \$127 million).

(\$ millions)	2021	2020
Raw material, consumables	336	278
Work in progress	169	136
Finished products	1,394	1,230
Total inventories	1,899	1,644

Alcon recognized inventory provisions and write-downs amounting to \$220 million in 2021 (2020: \$304 million, 2019: \$181 million) and reversed inventory provisions amounting to \$83 million in 2021 (2020: \$91 million, 2019: \$65 million). Inventory provisions mainly relate to the adjustment of inventory balances to their net realizable value based on the forecasted sales. Reversals are made when the products become salable.

14. Trade receivables

Trade receivable balances include sales to wholesalers, retailers, doctor groups, private health systems, government agencies, pharmacy benefit managers, managed health-care organizations and government-supported healthcare systems. The following tables provide details related to Trade receivables as of December 31, 2021 and 2020, including trade receivables that are not overdue as specified in the payment terms and conditions established with Alcon's customers, as well as an analysis of overdue amounts, expected credit loss rates and related provisions for doubtful trade receivables:

2021				
(\$ millions)	Gross trade receivables	Provision	Trade receivables, net	Expected credit loss rates
Not overdue	1,273	(2)	1,271	0.2 %
Past due for not more than one month	96	(1)	95	1.0 %
Past due for more than one month but less than three months	74	(1)	73	1.4 %
Past due for more than three months but less than six months	43	(2)	41	4.7 %
Past due for more than six months but less than one year	23	(13)	10	56.5 %
Past due for more than one year	42	(36)	6	85.7 %
Total	1,551	(55)	1,496	

2020				
(\$ millions)	Gross trade receivables	Provision	Trade receivables, net	Expected credit loss rates
Not overdue	1,137	(2)	1,135	0.2 %
Past due for not more than one month	109	(1)	108	0.9 %
Past due for more than one month but less than three months	67	(2)	65	3.0 %
Past due for more than three months but less than six months	36	(2)	34	5.6 %
Past due for more than six months but less than one year	31	(18)	13	58.1 %
Past due for more than one year	49	(43)	6	87.8 %
Total	1,429	(68)	1,361	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

The following table summarizes the movement in the provision for doubtful trade receivables:

(\$ millions)	2021	2020	2019
January 1	(68)	(48)	(54)
Provisions for doubtful trade receivables charged to the Consolidated Income Statement	(20)	(48)	(17)
Utilization of provisions for doubtful trade receivables	8	15	7
Reversal of provisions for doubtful trade receivables	23	14	15
Currency translation effects	2	(1)	1
December 31	(55)	(68)	(48)

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

The following table shows the gross trade receivables balance from these closely monitored countries as of December 31, 2021 and 2020, the amounts that are past due for more than one year and the related amount of the provisions for doubtful trade receivables that have been recorded:

(\$ millions)	2021	2020
Total balance of gross trade receivables from closely monitored countries	252	211
Past due for more than one year	10	14
Provisions for doubtful trade receivables	(11)	(15)

Trade receivables include amounts denominated in the following major currencies:

(\$ millions)	2021	2020
US dollar (USD)	526	477
Euro (EUR)	243	214
Japanese yen (JPY)	160	168
Chinese yuan (CNY)	122	121
Indian rupee (INR)	36	30
Canadian dollar (CAD)	39	32
Australian dollar (AUD)	24	29
British pound (GBP)	29	21
Russian ruble (RUB)	35	28
South Korean won (KRW)	38	31
Other currencies	244	210
Total trade receivables, net	1,496	1,361

15. Other current assets

The following table provides details related to Other current assets as of December 31, 2021 and 2020:

(\$ millions)	2021	2020
Current portion of long-term financial investments measured at FVPL	—	12
Current portion of long-term receivables from customers	97	107
Current portion of minimum lease payments from finance lease agreements	28	29
Prepaid expenses	92	93
Other receivables, security deposits and current assets	79	88
Derivative financial instruments	3	3
VAT receivables	105	72
Equity securities in public companies	3	—
Total other current assets	407	404

16. Right-of-use assets and Lease liabilities

Right-of-use assets

Right-of-use assets as of December 31, 2021 and 2020 were comprised of the following:

(\$ millions)	2021	2020
Land	17	20
Buildings	326	310
Machinery & equipment and other assets	29	28
Total right-of-use assets	372	358

Depreciation charges of \$81 million and \$79 million for the years ended December 31, 2021 and 2020, respectively, are shown in the table below by underlying class of asset:

(\$ millions)	2021	2020
Land	1	1
Buildings	60	59
Machinery & equipment and other assets	20	19
Total depreciation of right-of-use assets	81	79

Additions to right-of-use assets amounted to \$115 million and \$107 million for the years ended December 31, 2021 and 2020, respectively.

Lease liabilities

Lease liabilities totaled \$406 million as of December 31, 2021, including \$67 million in current lease liabilities and \$339 million in non-current lease liabilities. The contractual maturities of the undiscounted lease liabilities as of December 31, 2021 and 2020, are as follows:

	Lease liabilities undiscounted	
(\$ millions)	2021	2020
Not later than one year	80	82
Between one and five years	197	203
Later than five years	237	203
Total lease liabilities undiscounted	514	488

	Lease liabilities	
(\$ millions)	2021	2020
Not later than one year	67	70
Between one and five years	157	168
Later than five years	182	147
Total lease liabilities	406	385

Additional disclosures

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

(\$ millions)	2021	2020
Interest expense on lease liabilities	13	13
Expense on short-term, low value and variable leases	7	4
Total cash outflows for leases	92	85
<i>Thereof:</i>		
<i>Lease liability payments⁽¹⁾</i>	72	69
<i>Interest payments⁽²⁾</i>	13	12
<i>Short-term, low value and variable lease payments⁽²⁾</i>	7	4

(1) Reported as cash outflows from financing activities net of lease incentives received

(2) Included within total net cash flows from operating activities

17. Non-current and current financial debts

The below table summarizes non-current and current Financial debts outstanding as of December 31, 2021 and 2020.

(\$ millions)	2021	2020
Non-current financial debts		
Facility B	796	794
Facility C	395	429
Local facilities (Japan)	47	—
Series 2026 notes	496	496
Series 2029 notes	993	992
Series 2030 notes	745	744
Series 2049 notes	494	494
Revolving facility	—	—
Total non-current financial debts	3,966	3,949
Current financial debts		
Local facilities:		
Japan	84	101
All others	17	49
Other short-term financial debts	6	12
Derivatives	7	7
Total current financial debts	114	169
Total financial debts	4,080	4,118

Interest expense recognized for Financial debts, excluding lease liabilities, was \$95 million, \$94 million and \$81 million for the years ended December 31, 2021, 2020 and 2019, respectively. The weighted average interest rate on Financial debts was 2.3% in 2021 and 2020.

Bridge Loan, Term Loan and Revolving Credit Facilities

On March 6, 2019, Alcon entered into a \$1.5 billion unsecured 364-day bridge loan facility with two extension options, each for a period of 180 days (the "Bridge Facility"), a \$0.5 billion unsecured three-year term loan facility ("Facility A"), a \$0.8 billion unsecured five-year term loan facility ("Facility B"), a \$0.4 billion (or the equivalent in EUR) unsecured five-year term loan facility ("Facility C") and a \$1.0 billion unsecured five-year committed multicurrency revolving credit facility (the "Revolving Facility" and, together with the Bridge Facility, Facility A, Facility B and Facility C, the "Facilities"). On April 2, 2019, Alcon borrowed \$3.2 billion against the bridge and other term loans. In February 2021, the \$1.0 billion Revolving Facility was extended to March 2026. The Revolving Facility remained undrawn as of December 31, 2021.

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

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

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

Refinancing of Bridge Facility and Facility A

On September 23, 2019, AFC issued Senior Notes ("Notes") with maturity dates in 2026, 2029, and 2049, which are guaranteed by the Company. The Notes are unsecured senior obligations of AFC issued in a private placement. The total principal amount of the Notes is \$2.0 billion. The Notes were issued at a discount totaling \$7 million, which was recorded as a reduction to the carrying value of the Notes and will be amortized to Interest expense over the term of the Notes. AFC incurred \$15 million of debt issuance costs, which were recorded as a reduction to the carrying value of the Notes and will be amortized to Other financial income & expense over the term of the Notes.

The Notes consist of the following:

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

The funds borrowed through the issuance of the Notes were used to repay the \$1.5 billion Bridge Facility and \$0.5 billion Facility A. The transaction was accounted for as an extinguishment of a liability. Alcon recognized a loss of \$4 million associated with the write-off of unamortized deferred financing costs due to extinguishment of the original financing. This loss on extinguishment was recognized in Other financial income & expense.

Interest rate benchmark reform

Facility B and Facility C ("Term Loan Facilities") and the Revolving Facility (collectively, the "Remaining Facilities") originally bore interest rates equal to the interest rate benchmark (prevailing Euro Interbank Offered Rate ("EURIBOR") in the case of loans denominated in EUR, USD prevailing London Interbank Offered Rate ("LIBOR") in the case of loans denominated in USD and CHF LIBOR in the case of loans denominated in CHF), plus an applicable margin. On December 14, 2021, Alcon amended the terms of the Remaining Facilities in response to interest rate benchmark reform which includes the replacement of certain interbank offered rates ("IBOR") with alternative benchmark rates. The amended terms incorporate a mechanism to switch from the Remaining Facilities' original interest rates to compounded risk-free rates ("RFR"), including any relevant credit adjustment spread. The practical expedient in *Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16* will be applied which allows the effective interest rate to be updated to

reflect the change in interest rate benchmark from IBOR to RFR without adjusting the carrying amount. Consequently, there was no change in the carrying value of the Remaining Facilities as a result of the amendment.

Series 2030 notes issuance

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

Local bilateral facilities

In February 2019, Alcon entered into a number of local bilateral facilities in different countries, with the largest share of borrowings in Japan. Two local bilateral facilities in Japan matured in February 2021 and were refinanced by three facilities with one and two year maturities. As of December 31, 2021, a total of \$131 million was drawn in Japan, including \$84 million classified as current and \$47 million classified as non-current. There was \$90 million undrawn on the facilities in Japan as of December 31, 2021.

Maturity of contractual undiscounted cash flows and interest payment commitments

The following table provides details on the maturity of the contractual undiscounted cash flows for Alcon's borrowings as of December 31, 2021 and 2020:

(\$ millions)	2021			2020		
	Nominal amount - Current and non- current financial debt	Derivatives	Total	Nominal amount - Current and non- current financial debt	Derivatives	Total
Not later than one year	107	7	114	162	7	169
Between one and five years	1,743	—	1,743	1,231	—	1,231
Later than five years	2,250	—	2,250	2,750	—	2,750
Total contractual undiscounted cash flows	4,100	7	4,107	4,143	7	4,150
Unamortized debt discount and issuance costs	(27)	—	(27)	(32)	—	(32)
Total carrying value	4,073	7	4,080	4,111	7	4,118

The following table provides details on the maturity of the future contractual interest payments commitments as of December 31, 2021 and 2020:

(\$ millions)	2021	2020
Not later than one year	94	96
Between one and five years	340	357
Later than five years	583	687
Total cash flows	1,017	1,140

18. Financial instruments - additional disclosures

The below table provides detail related to financial instruments as of December 31, 2021 and December 31, 2020.

(\$ millions)	Note	2021	2020
Cash and cash equivalents			
Cash in current accounts		246	262
Cash held in time deposits and money market funds		1,329	1,295
Total cash and cash equivalents		1,575	1,557
Financial assets - measured at fair value through other comprehensive income ("FVOCI")			
Long-term financial investments	12	46	28
Total financial assets - measured at FVOCI		46	28
Financial assets - measured at amortized costs⁽¹⁾			
Trade receivables	14	1,496	1,361
Income tax receivables		9	21
Other current assets (excluding prepaid expenses and other current assets measured at FVPL)	15	309	296
Long-term receivables from customers	12	110	117
Non-current minimum lease payments from finance lease agreements	12	35	39
Long-term loans, advances and security deposits	12	20	22
Total financial assets - measured at amortized costs		1,979	1,856
Financial assets - measured at fair value through profit and loss ("FVPL")			
Equity securities of public companies	15	3	—
Deferred compensation assets	12	155	137
Current portion of long-term financial investments	15	—	12
Derivative financial instruments	15	3	3
Long-term financial investments	12	6	12
Total financial assets - measured at FVPL		167	164
Total financial assets		3,767	3,605
Financial liabilities - measured at amortized cost or cost⁽¹⁾			
Current financial liabilities			
Financial debts	17	107	162
Lease liabilities	16	67	70
Trade payables		903	876
Total current financial liabilities - measured at amortized cost or cost		1,077	1,108
Non-current financial liabilities			
Financial debts	17	3,966	3,949
Lease liabilities	16	339	315
Total non-current financial liabilities - measured at amortized cost or cost		4,305	4,264
Total financial liabilities - measured at amortized cost or cost		5,382	5,372
Financial liabilities - measured at FVPL			
Contingent consideration liabilities	19/20	112	157
Derivative financial instruments	17	7	7
Total financial liabilities - measured at FVPL		119	164
Total financial liabilities		5,501	5,536
Net financial assets and financial liabilities		(1,734)	(1,931)

- (1) 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 debts with a fair value of \$2,891 million and carrying value of \$2,728 million as of December 31, 2021 and a fair value of \$3,036 million and carrying value of \$2,726 million as of December 31, 2020. The fair value of notes was determined using Level 2 inputs. The notes were valued using a quoted market price for such notes, which have low trading volumes.

Fair value by hierarchy

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

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

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

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

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

Investments in equity securities of public companies are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

The following tables summarize financial assets and liabilities measured at fair value on a recurring basis or at amortized cost or cost as of December 31, 2021 and December 31, 2020.

(\$ millions)	December 31, 2021				Total
	Level 1	Level 2	Level 3	Valued at amortized cost or cost	
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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

(\$ millions)	December 31, 2020				Total
	Level 1	Level 2	Level 3	Valued at amortized cost or cost	
Non-current financial assets					
Long-term financial investments measured at FVOCI	—	—	28	—	28
Long-term financial investments measured at FVPL	—	—	12	—	12
Long-term receivables from customers	—	—	—	117	117
Deferred compensation assets ⁽¹⁾	137	—	—	—	137
Non-current minimum lease payments from finance lease agreements	—	—	—	39	39
Long-term loans, advances and security deposits	—	—	—	22	22
Non-current financial assets	137	—	40	178	355
Current financial assets					
Money market funds	625	—	—	—	625
Current portion of long-term financial investments measured at FVPL ⁽²⁾	—	—	12	—	12
Current portion of long-term receivables from customers ⁽²⁾	—	—	—	107	107
Current portion of minimum lease payments from finance lease agreements ⁽²⁾	—	—	—	29	29
Other receivables, security deposits and current assets ⁽²⁾	—	—	—	88	88
VAT receivables ⁽²⁾	—	—	—	72	72
Derivative financial instruments ⁽²⁾	—	3	—	—	3
Current financial assets	625	3	12	296	936
Financial assets at fair value and amortized cost or cost	762	3	52	474	1,291
Financial liabilities					
Contingent consideration liabilities	—	—	(157)	—	(157)
Non-current financial debt	—	—	—	(3,949)	(3,949)
Current financial debt	—	—	—	(162)	(162)
Derivative financial instruments	—	(7)	—	—	(7)
Financial liabilities at fair value and amortized cost	—	(7)	(157)	(4,111)	(4,275)

(1) Recorded in Other non-current assets.

(2) Recorded in Other current assets

There were no transfers of financial instruments between levels in the fair value hierarchy during the years ended December 31, 2021 and December 31, 2020.

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

Financial assets

(\$ millions)	Long-term financial investments measured at FVOCI		Financial investments measured at FVPL	
	2021	2020	2021	2020
Balance as of January 1	28	31	24	61
Additions	18	7	—	2
(Losses) recognized in Consolidated Statement of Comprehensive Income/(Loss)	—	(10)	—	—
Unrealized (losses) in Consolidated Income Statement	—	—	(3)	(5)
Amortization	—	—	(12)	(34)
Settlement	—	—	(3)	—
Balance as of December 31	46	28	6	24

If the pricing parameters for the Level 3 inputs were to change for Long-term financial investments measured at FVOCI by 10% positively or negatively, this would change the amount recorded in the 2021 Consolidated Statement of Comprehensive Income/(Loss) by \$5 million.

Financial liabilities

(\$ millions)	Contingent consideration liabilities	
	2021	2020
Balance as of January 1	(157)	(243)
Accretion for passage of time	(12)	(17)
Adjustments for changes in assumptions	42	63
Payments	15	40
Balance as of December 31	(112)	(157)

Changes in contingent consideration liabilities in the current year include adjustments for changes in assumptions of \$42 million, primarily due to revised expectations for achievement of commercial milestones related to the impaired CGU in the Surgical reportable segment discussed in Note 10 and timing of settlement for development and commercial milestones. The current year also included a payment of \$15 million related to achievement of a development milestone. As of December 31, 2021, the probability of success for various development and commercial milestones ranges from 55% to 80% and the maximum remaining potential payments related to contingent consideration from business combinations is \$395 million, plus other amounts calculated as a percentage of commercial sales in cases where there is not a specified maximum contractual payment amount. The estimation of probability typically depends on factors such as technical milestones or market performance and is adjusted for the probability of payment. If material, probable payments are appropriately discounted to reflect the impact of time.

Changes in contingent consideration liabilities in the prior year included adjustments for changes in assumptions of \$63 million primarily related to revised expectations for achievement of development and commercial milestones and timing of settlement for milestones, and payments of \$40 million related to achievement of development milestones. As of December 31, 2020, the probability of success for various development and commercial milestones ranged from 55% to 100% and the maximum remaining potential payments related to contingent consideration from business combinations was \$470 million, plus other amounts calculated as a percentage of commercial sales in cases where there is not a specified maximum contractual payment amount.

Contingent consideration liabilities are reported in "Provisions & other non-current liabilities" based on the projected timing of settlement which is estimated to range from 2025 through 2033 for contingent consideration obligations as of December 31, 2021.

For the determination of the fair value of a contingent consideration various unobservable inputs are used. A change in these inputs might result in a significantly higher or lower fair value measurement. The inputs used are, among others, the probability of success, sales forecast and assumptions regarding the discount rate, timing and different scenarios of

triggering events. The significance and usage of these inputs to each contingent consideration may vary due to differences in the timing and triggering events for payments or in the nature of the asset related to the contingent consideration.

As the most significant Level 3 input, if the probability of success were to change by 10% positively or negatively, this would change the amount recorded for contingent consideration payables in the 2021 Consolidated Income Statement by \$19 million.

Derivatives

As of December 31, 2021 and December 31, 2020, the net value of unsettled positions for derivative forward contracts and swaps was \$4 million, including \$3 million of unrealized gains in Other current assets and \$7 million of unrealized losses in Current financial debts. There are master agreements with several banking counterparties for derivatives financial instruments, however, there were no derivative financial instruments meeting the offsetting criteria under IFRS as of December 31, 2021 or December 31, 2020.

Nature and extent of risks arising from financial instruments

Market risk

Alcon is exposed to market risk, primarily related to foreign currency exchange rates, interest rates and the market value of investments of liquid funds. Alcon actively monitors and seeks to reduce, where it deems it appropriate to do so, fluctuations in these exposures. It is Alcon policy and practice to enter into a variety of derivative financial instruments to manage the volatility of these exposures and to enhance the yield on the investment of liquid funds. Alcon does not enter into any financial transactions containing a risk that cannot be quantified at the time the transaction is concluded. In addition, Alcon does not sell short assets it does not have, or does not know it will have, in the future. Alcon only sells existing assets or enters into transactions and future transactions (in the case of anticipatory hedges) that it confidently expects it will have in the future, based on past experience. In the case of liquid funds, Alcon writes call options on assets it has, or writes put options on positions it wants to acquire and has the liquidity to acquire. Alcon expects that any loss in value for these instruments generally would be offset by increases in the value of the underlying transactions.

Foreign currency exchange rate risk

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

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

Interest rate risk

Alcon's exposure to cash flow interest rate risks arises mainly from non-current financial debts at variable rates. Alcon may enter into interest rate swap agreements, in which it exchanges periodic payments based on a notional amount and agreed-upon fixed and variable rate interests. If the interest rates had been higher / lower by 1%, the income before taxes would have been lower / higher by \$14 million from the impacts of interest expense based on the change in the interest rate.

Commodity price risk

Alcon is currently experiencing inflation and supply chain challenges due to COVID-19 in certain components and has exposure to price risk related to anticipated purchases of certain commodities used as raw materials by Alcon's businesses. A change in those prices may alter the gross margin of a specific business, but generally by not more than 10% of the margin and thus below Alcon's risk management tolerance levels. Accordingly, Alcon does not enter into significant forward and option contracts to manage fluctuations in prices of anticipated purchases.

Credit risk

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

With the continued adverse economic conditions in relation to the COVID-19 pandemic which vary by region, there is an ongoing credit risk due to expected credit losses. Provisions for expected credit losses have been reflected in the Consolidated Financial Statements as of December 31, 2021. Alcon will continue to assess forward-looking estimates of potential increased default rates and potential increase in lifetime expected credit losses. For further information, refer to Note 14 of these Consolidated Financial Statements.

No customer accounted for 10% or more of Alcon's net sales in 2021, 2020 or 2019.

Liquidity risk

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

While collections stabilized in 2021, with the continued adverse economic conditions in relation to the COVID-19 pandemic which vary by region, there is an ongoing liquidity risk due to potential delays or reductions in collections from our customers or increased difficulties in accessing the capital or debt markets. In response to the increased liquidity risk, on May 27, 2020, AFC completed an offering of \$750 million of 2.600% senior notes due in 2030, increasing Alcon's overall liquidity. In addition, Alcon's revolving credit facility with total availability of \$1 billion remained undrawn as of December 31, 2021 with no current limitations on borrowing, and management has not identified any changes in Alcon's ability to access the capital or debt markets.

For further information on maturity of the contractual undiscounted cash flows for Alcon's borrowings and interest on borrowings, refer to Note 17 of these Consolidated Financial Statements.

19. Provisions and other non-current liabilities

The below table provides details related to Provisions and other non-current liabilities as of December 31, 2021 and 2020.

(\$ millions)	Note	2021	2020
Accrued liability for employee benefits:			
Defined benefit pension plans	23	295	339
Other long-term employee benefits and deferred compensation		177	152
Other post-employment benefits	23	300	332
Provisions for litigation and other legal matters		—	—
Contingent consideration	18	112	142
Other non-current liabilities		56	95
Total provisions and other non-current liabilities		940	1,060

Alcon believes that its total provisions are adequate based upon currently available information; however, given the inherent difficulties in estimating liabilities in this area, Alcon may incur additional costs beyond the amounts provided. Management believes that such additional amounts, if any, would not be material to Alcon's financial condition but could be material to the results of operations or cash flows in a given period.

Provisions for litigation and other legal matters

Alcon has established provisions for certain litigation and other legal matters, where a potential cash outflow is probable and a reliable estimate can be made of the amount of the outflow. These provisions represent the current best estimate of the total financial effect for these matters. Potential cash outflows reflected in a provision may be fully or partially off-set by insurance in certain circumstances.

Alcon has not established provisions for potential damage awards for certain additional legal claims if Alcon currently believes that a payment is either not probable or cannot be reliably estimated. A number of other legal matters are in such early stages or the issues presented are such that Alcon has not made any provisions since it cannot currently estimate either a potential outcome or the amount of any potential losses. For these reasons, among others, Alcon generally is

unable to make a reliable estimate of possible loss with respect to such cases. It is therefore not practicable to provide information about the potential financial impact of those cases.

There might also be cases for which Alcon was able to make a reliable estimate of the possible loss or the range of possible loss, but Alcon believes that publication of such information on a case-by-case basis would prejudice Alcon's position in ongoing legal proceedings or in any related settlement discussions. Accordingly, in such cases, information would be disclosed with respect to the nature of the contingency, but no disclosure is provided as to an estimate of the possible loss or range of possible loss.

Note 26 contains additional information on contingencies.

Summary of significant legal proceedings

A number of Alcon companies are, and will likely continue to be, subject to various legal proceedings and investigations that arise from time to time, including proceedings regarding product liability, sales and marketing practices, commercial disputes, employment, and 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. The following is a summary as of February 15, 2022 of significant legal proceedings of the Alcon business to which Alcon or any of its subsidiaries are a party.

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 and the claims are being vigorously contested. Trial is set for March 28, 2022.

JJSVI patent dispute

On June 23, 2020, Johnson & Johnson Surgical Vision, Inc. ("JJSVI"), acting through its subsidiaries, filed a patent infringement action in the US District Court in Delaware alleging that the manufacture, use, sale, offer for sale, and/or importation of Alcon's *LenSx* Laser System willfully infringes, directly and/or indirectly, one or more claims of 12 US patents. JJSVI subsequently amended its complaint to include copyright infringement claims relating to source code used in the *LenSx* Laser System as well as additional claims of patent infringement. Also beginning on June 23, 2020, JJSVI filed claims in Mannheim, Germany, alleging that Alcon directly infringes certain European patents through its manufacture and sale of *LenSx*. In these cases, JJSVI seeks monetary and injunctive relief. Alcon intends to defend all of these cases vigorously and has asserted various patent infringement and invalidity claims against JJSVI in Europe and the United States. The Delaware court has stayed the parties' US patent claims pending final written decisions by the Patent Trial and Appeal Board of the US Patent and Trademark Office in various ongoing *inter partes* review proceedings pertaining to the patents in the suit. Trial on the copyright claims in the Delaware action is set for February 2023.

Hoya patent dispute

On December 11, 2020, Hoya Corporation and one of its affiliates filed suit against Alcon in the US District Court for the Northern District of Texas alleging that Alcon's *UltraSert* Pre-Loaded Delivery System infringes six of Hoya's US patents. The court denied in part Alcon's motion to dismiss Hoya's complaint on September 20, 2021. Trial is set for April 2023. Alcon intends to defend the case vigorously.

Asia / Russia investigation

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

Litigation and other legal matters provision movements

(\$ millions)	2021	2020	2019
January 1	—	—	42
Additions to provisions	54	9	—
Cash payments	(1)	(9)	(40)
Releases of provisions	—	—	(2)
December 31	53	—	—
Less current portion	(53)	—	—
Non-current provisions for litigation and other legal matters at December 31	—	—	—

Alcon believes that its total provisions for litigation and other legal matters are adequate based upon currently available information. However, given the inherent difficulties in estimating liabilities, additional liabilities and costs may be incurred beyond the amounts provided.

20. Provisions and other current liabilities

The following table provides details related to Provisions and other current liabilities as of December 31, 2021 and 2020:

(\$ millions)	Note	2021	2020
Taxes other than income taxes		93	110
Restructuring provisions		17	10
Accrued expenses for goods and services received but not invoiced		76	61
Accruals for royalties		10	11
Accruals for deductions from revenue		264	217
Accruals for compensation and benefits including social security		489	352
Deferred income		108	110
Provisions for litigation and other legal matters	19	53	—
Accrued equity-based payments		14	9
Accrued interest on financial debts		19	19
Contingent consideration	18	—	15
Other payables		58	80
Total provisions and other current liabilities		1,201	994

Provisions and accruals are based upon management's best estimate and adjusted for actual experience. Such adjustments to the historical estimates have not been material.

Accruals for deductions from revenue

The following table shows the movement of accruals for deductions from revenue:

(\$ millions)	2021	2020	2019
January 1	217	212	194
Additions	677	540	662
Payments/utilizations	(619)	(537)	(646)
Changes in offset against gross trade receivables	(5)	(2)	1
Currency translation effects	(6)	4	1
December 31	264	217	212

Restructuring provisions

The following table shows the movement of restructuring provisions:

(\$ millions)	2021	2020	2019
January 1	10	28	8
Additions	21	22	32
Cash payments	(14)	(40)	(10)
Releases	—	—	(2)
December 31	17	10	28

In 2021, 2020 and 2019, additions to restructuring provisions of \$21 million, \$22 million and \$32 million, respectively, were primarily related to the multi-year transformation program announced by Alcon on November 19, 2019 and were mainly related to accrued severance for the associates whose positions will be eliminated.

21. Consolidated Statement of Cash Flows - additional details

The Consolidated Statement of Cash Flows was prepared in accordance with IAS 7, *Statement of Cash Flows*. The below tables provide additional detail supporting select line items in the Consolidated Statement of Cash Flows.

21.1 Depreciation, amortization, impairments and fair value adjustments

(\$ millions)	2021	2020	2019
Property, plant & equipment	323	299	275
Right-of-use assets	81	79	66
Intangible assets	815	1,245	1,084
Financial assets	3	5	31
Other non-current assets	(2)	(2)	—
Total	1,220	1,626	1,456

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

(\$ millions)	2021	2020	2019
(Increase) in inventories	(326)	(159)	(108)
(Increase)/decrease in trade receivables	(198)	43	(115)
Increase/(decrease) in trade payables	60	(21)	84
Net change in other operating assets	(24)	127	(26)
Net change in other operating liabilities	174	(35)	117
Total	(314)	(45)	(48)

21.3 Acquisitions of businesses, net

(\$ millions)	2021	2020	2019
Net assets recognized as a result of business combinations	—	—	(418)
Payables contingent consideration	—	—	135
Cash flows	—	—	(283)

Notes 4 and 22 to these Consolidated Financial Statements provide further information regarding an acquisition of a business in 2019 for cash.

21.4 Reconciliation of assets and liabilities arising from financing activities

(\$ millions)	Financial Liabilities			
	Non-current financial debts	Current financial debts	Non-current lease liabilities	Current lease liabilities
January 1, 2021	3,949	169	315	70
Proceeds from non-current financial debts, net of issuance costs	52	—	—	—
Additions to leases	—	—	106	9
Change in current financial debts	—	(43)	—	—
Amortization of discounts on financial debts	1	—	—	—
Payments of lease liabilities, net	—	—	—	(72)
Interest payments for amounts included in lease liabilities classified as cash flows from operating activities	—	—	—	(13)
Changes in fair values and other non-cash changes, net	4	—	(2)	8
Currency translation effects	(40)	(12)	(10)	(5)
Reclassification from non-current to current	—	—	(70)	70
December 31, 2021	3,966	114	339	67

(\$ millions)	Financial Liabilities			
	Non-current financial debts	Current financial debts	Non-current lease liabilities	Current lease liabilities
January 1, 2020	3,218	261	280	61
Proceeds from non-current financial debts, net of issuance costs	744	—	—	—
Additions to leases	—	—	96	11
Change in current financial debts	—	(139)	—	—
Amortization of discounts on financial debts	1	—	—	—
Payments of lease liabilities, net	—	—	—	(69)
Interest payments for amounts included in lease liabilities classified as cash flows from operating activities	—	—	—	(12)
Changes in fair values and other non-cash changes, net	4	(9)	(2)	8
Currency translation effects	37	1	10	2
Reclassification from non-current to current	(55)	55	(69)	69
December 31, 2020	3,949	169	315	70

22. Acquisitions of businesses

Fair value of assets and liabilities arising from acquisitions

(\$ millions)	2021	2020	2019
Property, plant and equipment	—	—	1
Acquired research and development	—	—	505
Deferred tax assets	—	—	28
Cash and cash equivalents	—	—	6
Deferred tax liabilities	—	—	(121)
Trade payables and other liabilities	—	—	(1)
Net identifiable assets acquired	—	—	418
Acquired liquidity	—	—	(6)
Goodwill	—	—	6
Net assets recognized as a result of business combinations	—	—	418

Note 4 of these Consolidated Financial Statements details a significant acquisition of a business, PowerVision, in 2019. No goodwill from the 2019 acquisition is tax-deductible.

23. Post-employment benefits for associates

Defined benefit plans

In addition to the legally required social security schemes, Alcon has sponsored numerous independent pension and other post-employment benefit plans. In most cases, these plans are externally funded in entities that are legally separate from Alcon. For certain subsidiaries, however, no independent plan assets exist for the pension and other post-employment benefit obligations of associates. In these cases the related unfunded liability is included in the Consolidated Balance Sheet. The value of the post-employment benefits promised under the pension and other post-employment benefit plans is represented by the defined benefit obligation ("DBO"), which is measured based on the projected unit credit method ("PUC"). Independent actuaries reappraise the DBOs of all major pension and other post-employment benefit plans annually. Plan assets are recognized at fair value.

The major pension and other post-employment benefit plans are based in Switzerland, the United States, Germany, and the United Kingdom. As of December 31, 2021, these plans represent 88% of Alcon's total DBO and are independently sponsored by Alcon. Details of the plans in those significant countries are provided below.

The pension plans in Switzerland represent the most significant portion of Alcon's total pension DBO and the largest component of Alcon's total plan assets. The principal plan in Switzerland is funded and open for new joiners. For the Swiss pension plan, active insured members' benefits are partially linked to the contributions paid into the plan. Certain features of the Swiss pension plan required by law preclude the plan from being categorized as a defined contribution plan. These factors include a minimum interest guarantee on retirement savings accounts, a pre-determined factor for converting the accumulated savings account balance into a pension and embedded death and disability benefits. All benefits granted under a Swiss-based principal pension plan are vested, and Swiss legislation prescribes that the employer has to contribute a fixed percentage of an associate's pay to an external pension foundation. Additional employer contributions may be required whenever the foundation's statutory funding ratio falls below a certain level. The associate also contributes to the plan.

As of December 31, 2021, following the transfer out of the Novartis pension fund effective February 1, 2021, Alcon's Swiss pension obligation is set-up under an Alcon-sponsored arrangement affiliated with Copré La Collective de Prévoyance ("Copré") – a Swiss collective foundation. As a collective foundation, Copré is governed by its own board of trustees which is responsible for the foundation regulations and asset investment strategy for multiple entities participating in the collective foundation. Also effective February 1, 2021, Alcon established its own pension committee, consisting of representatives nominated by Alcon and the active insured associates. During the fourth quarter of 2021, Copré announced the rates to be used to convert participant balances to pension annuities for 2024 to 2026. This announcement resulted in a plan amendment with a benefit of \$15 million recognized in Other income and a corresponding decrease in the DBO. During the third quarter of 2020, the selection of Copré resulted in a plan amendment with past service costs of \$12 million recognized in Other expense and a corresponding increase in the DBO.

The United States pension plans represent the second largest component of Alcon's total pension DBO and the third largest component of Alcon's total plan assets. The principal plan (Qualified Plan) is funded, whereas the plans providing additional benefits for executives (Defined Benefit Restoration Plan and Grandfathered Supplemental Executive Plan) are unfunded. Benefits in the Qualified Plan and Restoration Plan are frozen for all participants. Employer contributions are required for the Qualified Plan whenever the statutory funding ratio falls below a certain level. Furthermore, most associates in the United States are covered under other post-employment benefit plans (US OPEB plans) which represent 99% of the total DBO for other post-employment benefit plans. These benefits in the US primarily consist of post-employment healthcare which has been closed to new members since 2015. Effective January 1, 2021, the Alcon sponsored group health plan for current and future eligible retired participants age 65 and over was changed to a private Medicare marketplace while providing an annual notional contribution to a Health Reimbursement Account for each covered member and spouse. The impact of the plan amendment in the fourth quarter of 2020 was a benefit of \$164 million recognized in Other income and a corresponding decrease in the DBO in Provisions and other non-current liabilities. There is no statutory funding requirement for the US OPEB plans.

The major pension arrangements in Germany are governed by the Occupational Pensions Act ("BetrAVG") and represent the third largest component of Alcon's total pension DBO and the fifth largest component of Alcon's total plan assets. The plans are partly funded by a Contractual Trust arrangement or direct insurances. The employer is responsible for contributing the premiums to the insurances and paying certain benefits when they fall due. All plans are closed for new entrants and the benefits are fully vested for all participants. For some participants the benefits are based on final salary and length of employment, and for others the benefit is earned each year based on the current salary in the year of service. Associates do not contribute towards the cost of the benefits.

The pension plans in the United Kingdom represent the fourth largest component of Alcon's total pension DBO and the second largest component of Alcon's total plan assets. The plan is closed with only former Alcon associates entitled to current or future benefits. The Alcon United Kingdom Pension Scheme is governed and administered by a board of trustees in accordance with its Trust Deed. United Kingdom legislation requires that pension schemes are funded prudently (i.e., to a level in excess of the "best estimate" expected cost of providing benefits). Funding is assessed on a triennial basis using (prudent) assumptions agreed by the board of trustees and Alcon. The board of trustees is responsible for jointly agreeing with Alcon the level of contributions needed to eliminate any shortfall over a reasonable period of time, typically not exceeding 10 years. Under the governing documentation, if a surplus remains once liabilities have been settled it would be refunded to Alcon.

One of Alcon's pension plans has a surplus that is not recognized on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

The following tables summarize the funded and unfunded DBO for pension and other post-employment benefit plans of Alcon associates at December 31, 2021 and 2020:

(\$ millions)	Pension plans		Other post-employment benefit plans	
	2021	2020	2021	2020
Benefit obligation at January 1	817	723	332	423
Current service cost	24	31	10	14
Interest cost	9	12	7	15
Past service costs and settlements	(38)	9	—	(165)
Administrative expenses	1	1	—	—
Remeasurement (gains)/losses arising from changes in financial assumptions	(22)	38	(12)	92
Remeasurement losses/(gains) arising from changes in demographic assumptions	—	2	1	(4)
Remeasurement losses/(gains) arising from experience-related changes	67	(13)	(25)	(27)
Currency translation effects	(35)	44	—	—
Benefit payments	(37)	(36)	(17)	(25)
Contributions of associates	5	6	4	9
Benefit obligation at December 31	791	817	300	332
Fair value of plan assets at January 1	519	451	—	—
Interest income	6	7	—	—
Return on plan assets excluding interest income	49	32	—	—
Currency translation effects	(18)	24	—	—
Employer contributions	23	25	13	16
Contributions of associates	5	6	4	9
Settlements	(20)	(2)	—	—
Benefit payments	(37)	(36)	(17)	(25)
Effect of acquisitions, divestments or transfers	14	12	—	—
Fair value of plan assets at December 31	541	519	—	—
Funded status	(250)	(298)	(300)	(332)
Limitation on recognition of fund surplus at January 1	(17)	(6)		
Change in limitation on recognition of fund surplus (including exchange rate differences)	(3)	(11)		
Limitation on recognition of fund surplus at December 31	(20)	(17)		
Net liability in the balance sheet at December 31	(270)	(315)	(300)	(332)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

The reconciliation of the net liability from January 1 to December 31 is as follows:

(\$ millions)	Pension plans		Other post-employment benefit plans	
	2021	2020	2021	2020
Net liability at January 1	(315)	(278)	(332)	(423)
Current service cost	(24)	(31)	(10)	(14)
Net interest expense	(3)	(5)	(7)	(15)
Administrative expenses	(1)	(1)	—	—
Past service costs and settlements	18	(11)	—	165
Remeasurements	4	5	36	(61)
Currency translation effects	17	(20)	—	—
Employer contributions	23	25	13	16
Effect of acquisitions, divestments or transfers	14	12	—	—
Change in limitation on recognition of fund surplus	(3)	(11)	—	—
Net liability at December 31	(270)	(315)	(300)	(332)
Amounts recognized in the balance sheet				
Prepaid benefit cost	25	24	—	—
Accrued benefit liability	(295)	(339)	(300)	(332)

The following tables provide detail of the DBO for pension plans by geography and type of member and of plan assets based on the geographical locations in which they are held:

(\$ millions)	2021					Total
	Switzerland	United States	Germany	United Kingdom	Rest of the world	
By type of member						
Active	(295)	(43)	(64)	—	(99)	(501)
Deferred pensioners	(11)	(41)	(28)	(57)	(14)	(151)
Pensioners	(23)	(42)	(23)	(40)	(11)	(139)
Benefit obligation at December 31	(329)	(126)	(115)	(97)	(124)	(791)
<i>Thereof: unfunded plans</i>	47	29	—	—	23	99
<i>Thereof: unfunded portion of funded plans</i>	87	6	94	—	9	196
<i>Prepaid benefit costs and assets subject to limitation on recognition of fund surplus</i>	—	—	—	(24)	(21)	(45)
Fair value of plan assets at December 31	195	91	21	121	113	541
Funded status	(134)	(35)	(94)	24	(11)	(250)

(\$ millions)	2020					Total
	Switzerland	United States	Germany	United Kingdom	Rest of the world	
By type of member						
Active	(251)	(53)	(76)	—	(125)	(505)
Deferred pensioners	(12)	(50)	(32)	(62)	(17)	(173)
Pensioners	(26)	(35)	(26)	(42)	(10)	(139)
Benefit obligation at December 31	(289)	(138)	(134)	(104)	(152)	(817)
Thereof: unfunded plans	51	30	—	—	31	112
Thereof: unfunded portion of funded plans	84	14	115	—	14	227
Prepaid benefit costs and assets subject to limitation on recognition of fund surplus	—	—	—	(23)	(18)	(41)
Fair value of plan assets at December 31	154	94	19	127	125	519
Funded status	(135)	(44)	(115)	23	(27)	(298)

The following table shows the principal weighted average actuarial assumptions used for calculating defined benefit plans and other post-employment benefits of Alcon associates:

	Pension plans		Other post-employment benefit plans	
	2021	2020	2021	2020
Discount rate	1.4 %	1.2 %	2.7 %	2.3 %
Expected rate of pension increase	1.1 %	1.1 %		
Expected rate of salary increase	2.2 %	2.4 %		
Interest on savings account	1.3 %	1.0 %		
Current average life expectancy for a 65-year-old male (in years)	20	20	21	20
Current average life expectancy for a 65-year-old female (in years)	22	23	23	22

The following table shows additional details related to the weighted average discount rates for the principal plan for each significant country:

	Pension plans		Other post-employment benefit plans	
	2021	2020	2021	2020
Switzerland	0.2 %	0.1 %		
United States	2.8 %	2.4 %	2.7 %	2.3 %
Germany	1.2 %	0.8 %		
United Kingdom	1.9 %	1.3 %		

Changes in the aforementioned actuarial assumptions can result in significant volatility in the accounting for pension plans and other post-employment benefit plans in the Consolidated Financial Statements. This can result in substantial changes in Alcon's other comprehensive income, non-current liabilities and prepaid pension assets.

The DBO is significantly impacted by assumptions related to the rate used to discount the actuarially determined post-employment benefit liability. This rate is based on yields of high-quality corporate bonds in the country of the plan. Increasing corporate bond yields increase the discount rate. An increase in the discount rate results in a decrease in the DBO and an increase in the funded status.

The impact of increasing interest rates on a plan's assets is more difficult to predict. A significant part of plan assets is invested in bonds. Bond values typically are inversely correlated to interest rates. Bond values usually decrease when interest rates rise and may therefore partially offset the increase in the funded status. Furthermore, pension assets also

include significant holdings of equity instruments. Share prices tend to fall when interest rates increase and therefore often offset the positive impact of the decreasing DBO on the funded status (although the correlation of interest rates with returns on equities is not as strong as with bonds, especially in the short term).

The assumption for the expected rate for pension increases significantly affects the DBO of most plans in Switzerland, Germany and the United Kingdom. Such pension increases also decrease the funded status, although there is no strong correlation between the value of the plan assets and pension/inflation increases.

Assumptions regarding life expectancy significantly impact the DBO. An increase in longevity increases the DBO. There is no offsetting impact from the plan assets, as no longevity bonds or swaps are held by the pension funds. Generational mortality tables are used where this data is available.

The following table shows the sensitivity of the defined benefit pension and other post-employment benefit obligations to the principal actuarial assumptions as of December 31, 2021:

(\$ millions)	Change in 2021 year-end
25 basis point increase in discount rate	(45)
25 basis point decrease in discount rate	38
1 year increase in life expectancy	23
25 basis point increase in rate of pension increase	9
25 basis point decrease in rate of pension increase ⁽¹⁾	(11)
25 basis point increase of interest on savings account	5
25 basis point decrease of interest on savings account	(5)
25 basis point increase in rate of salary increase	5
25 basis point decrease in rate of salary increase	(5)

(1) Decrease in rate of pension increase is limited to zero.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes of the assumptions may be correlated. When calculating the sensitivity of the DBO to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the PUC method at the end of the reporting period) has been applied as when calculating the net liability recognized in the Consolidated Balance Sheet.

The healthcare cost trend rate assumptions used for other post-employment benefits are as follows:

	2021	2020	2019
Healthcare cost trend rate assumed for next year	6.2 %	6.2 %	6.5 %
Rate to which the cost trend rate is assumed to decline	4.5 %	4.5 %	4.5 %
Year that the rate reaches the ultimate trend rate	2029	2028	2028

The following table shows the weighted average plan asset allocation of funded defined benefit pension plans at December 31, 2021, and 2020:

(as a percentage)	Pension plans		2021	2020
	Long-term target minimum	Long-term target maximum		
Equity securities	15	40	35	31
Debt securities	20	60	40	46
Real estate	5	20	11	7
Alternative investments	0	20	11	10
Cash and other investments	0	15	3	6
Total			100	100

Cash and most of the equity and debt securities have a quoted market price in an active market. Real estate and alternative investments, which include hedge fund and private equity investments, usually do not have a quoted market price.

The strategic allocation of assets of the different pension plans is determined with the objective of achieving an investment return that, together with employer contributions and contributions of associates (where applicable), is sufficient to manage the various funding risks of the plans. Based upon the market and economic environments, actual asset allocations may temporarily be permitted to deviate from policy targets.

The weighted average duration of the DBO is 15.5 years as of December 31, 2021 and December 31, 2020.

Alcon's ordinary contribution to the various pension plans is based on the rules of each plan and its respective country. Additional contributions are made whenever required by local statute or law (i.e., usually when statutory funding levels fall below predetermined thresholds).

The following table summarizes expected future cash flows for pension and other post-employment benefit plans as of December 31, 2021:

(\$ millions)	Pension plans	Other post-employment benefit plans
Employer contributions		
2022 (estimated)	12	—
Expected future benefit payments		
2022	31	18
2023	29	19
2024	31	21
2025	32	21
2026	33	21
2027-2031	196	103

Defined contribution plans

In many subsidiaries, associates are covered by defined contribution plans. Contributions charged to the 2021 Consolidated Income Statement for the defined contribution plans were \$133 million (2020: \$136 million; 2019: \$128 million).

24. Equity-based compensation

For the year ended December 31, 2021, Alcon recorded equity-based compensation expense of \$151 million (2020: \$113 million, 2019: \$114 million).

Liabilities from cash-settled equity-based compensation plans were \$14 million as of December 31, 2021 (\$9 million as of December 31, 2020).

On April 9, 2019, Alcon adopted various equity-based incentive plans, under which Alcon may grant awards in the form of restricted stock units ("RSUs"), performance-based restricted stock units ("PSUs"), restricted stock awards ("RSAs"), or any other form of award at the discretion of the Board. Certain associates in select countries may also participate in share ownership savings plans.

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

Replacement awards

Concurrent with the Spin-off, certain outstanding Novartis awards granted to Alcon associates under Novartis' equity-based incentive plans vested in Novartis equity on a pro rata basis, in proportion to the amount of the vesting period completed. The remaining unvested Novartis awards were replaced and restored with Alcon awards as governed by the Alcon equity restoration plan with terms and vesting schedules substantially similar to the replaced Novartis awards.

The pro rata vesting of Novartis awards and replacement of unvested Novartis awards with Alcon awards represents a modification under IFRS 2, *Share-based Payment*. Alcon measured the fair value of the awards immediately prior to and subsequent to the modification and concluded that no incremental fair value was provided to associates. Accordingly, Alcon continues to recognize as an expense the amount of unrecognized compensation cost of the original awards over the remaining vesting periods. Alcon issued 4.2 million unvested equity-based awards in connection with the modification at the time of the Spin-off.

The replacement awards consist primarily of RSUs and PSUs, and vest over a period consistent with the original vesting schedule of the awards which they replaced. In addition to the replacement awards, Alcon has granted additional equity-based awards under the newly-established Alcon incentive plans which were also granted in the form of RSUs and PSUs that will settle in Alcon Inc. shares upon vesting.

Summary of unvested share movements

The below table summarizes unvested share movements for all Alcon equity-based incentive plans through December 31, 2021 and 2020:

	2021			2020		
	Number of shares in thousands	Weighted average fair value at grant date in \$	Fair value at grant date in \$ millions	Number of shares in thousands	Weighted average fair value at grant date in \$	Fair value at grant date in \$ millions
Unvested shares at January 1	5,417	54.90	297	4,742	51.20	243
Granted						
Restricted awards	1,456	72.05	105	1,668	60.19	100
Performance awards	429	72.71	31	457	62.03	28
Vested	(1,258)	50.94	(64)	(1,149)	50.55	(58)
Forfeited	(417)	62.50	(26)	(301)	54.14	(16)
Unvested shares at December 31	5,627	60.96	343	5,417	54.90	297

The remaining weighted-average vesting period of unvested equity-based awards as of December 31, 2021 was 1.1 years.

Alcon equity-based incentive plans

The below table summarizes the number of shares authorized under the plans as of December 31, 2021:

(thousands)	Authorized shares
Long-term Incentive Plan	20,000
Deferred Bonus Stock Plan ⁽¹⁾	1,500
Swiss Employee Share Ownership Plan	475
Other share savings plans	275
Total	22,250

(1) Beginning in 2020, the annual incentives for the Alcon CEO and ATLs no longer include deferrals of compensation in the form of equity-based awards subject to the provisions of this plan. No grants were issued under this plan in 2021 and 2020.

Long-Term Incentive Plan ("LTIP") - Restricted Stock Units and Restricted Stock Awards

Under Alcon's LTIP, certain associates may receive grants of RSUs and RSAs (together "Restricted awards"). The awards generally vest on the third anniversary of the award and are generally forfeited if the employment relationship with Alcon terminates prior to vesting. Recipients of RSU awards do not have any shareholder rights, such as voting or dividend rights, until the shares are delivered. Alcon associates receiving grants of RSAs are entitled to the dividends that may be declared and paid over the vesting period only if the associates vest in such award.

Prior to the Spin-off, Alcon associates participated in the Former Parent's "Select" plan. The Company's LTIP plan is substantially similar to and replaced the Former Parent plan.

LTIP - Performance Stock Units

The Alcon CEO and Alcon Top Leaders ("ATLs") participate in Alcon's long-term performance program. PSUs granted under the LTIP each convert to one unrestricted Alcon Inc. share at vesting, subject to the achievement of performance measures.

PSUs awarded to plan participants are granted at target incentive ranges from 35% to 430% of base compensation and vest over a three-year period. The payout between 0% and 200% of target is dependent upon four equally weighted performance metrics which are determined at the onset of the performance period by the Alcon Inc. Board of Directors. The metrics include compound annual growth rate of Net sales, compound annual growth rate of core EPS, market share of peers, and innovation. The Alcon Inc. Board of Directors and the Compensation Committee assess the performance against the defined measures, including input from the Innovation Committee for the innovation metric, and approve the final payout. PSUs granted under the performance plan do not carry voting rights, but do carry dividend equivalents that are paid in cash or Alcon Inc. shares at vesting, provided participants remain associates of Alcon.

Prior to the Spin-off, Alcon associates participated in the Former Parent's Long-Term Performance Plan ("LTPP") and Long-Term Relative Performance Plan ("LTRPP"), which were substantially similar to Alcon's LTIP performance program.

Swiss Employee Share Ownership Plan and other share savings plans

Alcon associates in certain countries are encouraged to invest in share savings plans. Under the share savings plans, participants may elect to receive some of their wages or annual incentives in Alcon Inc. shares in lieu of cash. Subject to plan rules and limitations, as a reward for their participation in the share savings plans, at no additional cost to the participant, Alcon may partially match their investments in shares after a holding period of 3 years.

Prior to the Spin-off, Alcon associates participated in the Former Parent's share savings plans, which were substantially similar to and replaced by Alcon's share savings plans.

25. Related parties transactions

Executive officers

The following table summarizes compensation information for key management personnel:

(\$ millions)	2021	2020	2019
Cash and other compensation	19.3	12.8	12.5
Post-employment benefits	0.9	1.1	0.9
Equity-based compensation	20.9	9.2	10.7
Total	41.1	23.1	24.1

Transactions with Novartis (up to April 9, 2019)

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

Transactions from trading activities related to products and services invoiced between other Novartis Group companies and Alcon's business, have been retained in the historical Consolidated Financial Statements. The ultimate controlling parent of both, the other Novartis Group companies and Alcon's business, was Novartis AG until the Spin-off.

The following table summarizes amounts for the year ended December 31, 2019:

(\$ millions)	2019 ⁽¹⁾
Contract manufacturing revenues from former parent	47
Purchases from former parent	19

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

Sales to and purchases from Former Parent

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

Services provided by Former Parent

Services provided by Novartis Group to Alcon in 2019 prior to the Spin-off totaled \$40 million and primarily related to human resources operations, real estate and facility services, and information technology.

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

26. Commitments and contingencies

Commitments

Research & development

Alcon has entered into long-term research agreements with various institutions which provide for potential milestone payments and other payments by Alcon that may be capitalized. As of December 31, 2021, the commitments to make payments under those agreements, and their estimated timing, were as follows:

(\$ millions)	2021
2022	4
2023	4
2024	—
2025	3
2026	—
Thereafter	44
Total	55

Other

Alcon entered into various purchase commitments for services and materials as well as for equipment in the ordinary course of business. These commitments are generally entered into at current market prices and reflect normal business operations. For disclosure of Property, plant and equipment purchase commitments, see Note 9.

Contingencies

The Alcon companies have to observe the laws, government orders and regulations of the country in which they operate.

A number of Alcon companies are, and will likely continue to be, subject to various legal proceedings and investigations that arise from time to time, including proceedings regarding product liability, sales and marketing practices, commercial disputes, employment, and 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.

Governments and regulatory authorities around the world have been stepping up their compliance and law enforcement activities in recent years in key areas, including marketing practices, pricing, corruption, trade restrictions, embargo legislation, insider trading, antitrust, cyber security and data privacy. Further, when one government or regulatory authority undertakes an investigation, it is not uncommon for other governments or regulators to undertake investigations regarding the same or similar matters. Responding to such investigations is costly and requires an increasing amount of management's time and attention. In addition, such investigations may affect Alcon's reputation, create a risk of potential exclusion from government reimbursement programs in the United States and other countries, and may lead to (or arise from) litigation. These factors have contributed to decisions by Alcon and other companies in the healthcare industry, when deemed in their interest, to enter into settlement agreements with governmental authorities around the world prior to any formal decision by the authorities or a court. Those government settlements have involved and may continue to involve, in current government investigations and proceedings, large cash payments, sometimes in the hundreds of millions of dollars or more, including the potential repayment of amounts allegedly obtained improperly and other penalties, including treble damages. In addition, settlements of government healthcare fraud cases often require companies to enter into corporate integrity agreements, which are intended to regulate company behavior for a period of years. Also, matters underlying governmental investigations and settlements may be the subject of separate private litigation.

While provisions have been made for probable losses, which management deems to be reasonable or appropriate, there are uncertainties connected with these estimates. Note 19 contains additional information on these matters.

Alcon is involved in legal proceedings concerning intellectual property rights. The inherent unpredictability of such proceedings means that there can be no assurances as to their ultimate outcome. A negative result in any such

proceeding could potentially adversely affect the ability of certain Alcon companies to sell their products, or require the payment of substantial damages or royalties.

Alcon's potential for environmental remediation liability is assessed based on a risk assessment and investigation of the various sites identified by Alcon as at risk for environmental remediation exposure. Alcon's future remediation expenses are affected by a number of uncertainties. These uncertainties include, but are not limited to, the method and extent of remediation, the percentage of material attributable to Alcon at the remediation sites relative to that attributable to other parties, and the financial capabilities of the other potentially responsible parties.

Alcon has no significant environmental liabilities as at December 31, 2021 and 2020 and has incurred no significant remediation costs for the years ended December 31, 2021, 2020 and 2019.

27. Subsequent events

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 \$478 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 will be accounted for as an asset acquisition rather than a business combination as substantially all of the fair value of the gross assets acquired on the closing of the acquisition is concentrated in the value of *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. The preliminary purchase price allocation includes approximately \$449 million of intangible assets, primarily related to currently marketed products, \$39 million of tangible assets and approximately \$10 million of assumed liabilities. Cash paid for the acquisition, net of cash acquired, was \$475 million.

Board of Directors approval of AGM agenda

On February 15, 2022, the Alcon Board of Directors approved the proposal to submit the 2021 financial statements of Alcon Inc. and these Consolidated Financial Statements for approval at the Annual General Meeting on April 27, 2022. Additionally on February 15, 2022, the Board proposed a dividend of CHF 0.20 per share to be approved at the same Annual General Meeting. If approved by the shareholders, the total dividend payments would amount to a maximum of approximately \$108 million using the CHF/USD exchange rate as of February 10, 2022.

The Board of Directors has evaluated subsequent events as they relate to Alcon for potential recognition or disclosures from January 1, 2022 to the date of the approval of these Consolidated Financial Statements and has determined there are no additional subsequent events to be reported in these Consolidated Financial Statements.

28. Alcon subsidiaries

The following table lists the subsidiaries of Alcon Inc. with Total assets or Net sales to third parties in excess of \$5 million included in the Consolidated Financial Statements at and for the year ended December 31, 2021, respectively. The equity interest percentage shown in the table represents Alcon's share in voting rights in those entities. Unless otherwise stated, each entity has share capital consisting of equity held directly by the Company or another of its consolidated subsidiaries.

Country of organization/Entity name	Place of business	Equity interest
Argentina		
Alcon Laboratorios Argentina S.A.	Buenos Aires	100 %
Australia		
Alcon Laboratories (Australia) Pty Ltd	Macquarie Park	100 %
Austria		
Alcon Ophthalmika GmbH	Wein	100 %
Belgium		
Alcon Laboratories Belgium BVBA	Puurs	100 %
Alcon N.V.	Vilvoorde	100 %
Brazil		
Alcon Brasil Cuidados com a Saúde Ltda.	São Paulo	100 %
Canada		
Alcon Canada Inc.	Mississauga, Ontario	100 %
Chile		
Alcon Laboratorios Chile Ltd.	Santiago de Chile	100 %
China		
Alcon (China) Ophthalmic Product Co., Ltd.	Beijing	100 %
Alcon Hong Kong Limited	Hong Kong	100 %
Colombia		
Laboratorios Alcon de Colombia S.A.	Santafé de Bogotá	100 %
Czech Republic		
Alcon Pharmaceuticals (Czech Republic) s.r.o.	Prague	100 %
Denmark		
Alcon Nordic A/S	Copenhagen	100 %
Ecuador		
AlconLab Ecuador S.A.	Quito	100 %
France		
Laboratoires Alcon S.A.S.	Rueil-Malmaison	100 %
Germany		
Alcon Deutschland GmbH	Freiburg im Breisgau	100 %
CIBA Vision GmbH	Grosswallstadt	100 %
WaveLight GmbH	Erlangen	100 %
Greece		
Alcon Laboratories Hellas- Single Member Commercial and Industrial S.A.C.I.	Maroussi, Athens	100 %
Hungary		
Alcon Hungary Pharmaceuticals Trading Limited Liability Company	Budapest	100 %
India		
Alcon Laboratories (India) Private Limited	Bangalore	100 %
Indonesia		
PT. CIBA Vision Batam	Batam	100 %
Ireland		
Alcon Laboratories Ireland Limited	Cork City	100 %
Israel		
Optonol Ltd.	Neve-Ilan	100 %
Italy		
Alcon Italia S.p.A.	Milano	100 %
Japan		
Alcon Japan Ltd.	Tokyo	100 %
Malaysia		
Alcon Laboratories (Malaysia) Sdn. Bhd.	Petaling Jaya	100 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

Country of organization/Entity name	Place of business	Equity interest
CIBA Vision Johor Sdn. Bhd.	Johor	100 %
Mexico		
Alcon Laboratorios, S.A. de C.V.	Ciudad de Mexico	100 %
Netherlands		
Alcon Nederland B.V.	Gorinchem	100 %
New Zealand		
Alcon Laboratories (New Zealand) Ltd.	Remuera	100 %
Panama		
Alcon Centroamerica S.A.	Panama City	100 %
Peru		
Alcon Pharmaceutical del Peru S.A.	Lima	100 %
Philippines		
Alcon Laboratories (Philippines), Inc.	Pasig City	100 %
Poland		
Alcon Polska Sp. z o.o.	Warszawa	100 %
Portugal		
Alcon Portugal-Produtos e Equipamentos Oftalmológicos Ltda.	Porto Salvo	100 %
Puerto Rico		
Alcon (Puerto Rico), Inc.	Cataño, PR	100 %
Romania		
Alcon Romania S.R.L.	Bucharest	100 %
Russian Federation		
Alcon Farmaceutika LLC	Moscow	100 %
Singapore		
Alcon Pte Ltd	Singapore	100 %
Alcon Singapore Manufacturing Pte Ltd	Singapore	100 %
CIBA Vision Asian Manufacturing and Logistics Pte Ltd.	Singapore	100 %
South Africa		
Alcon Laboratories (South Africa) (Pty) Ltd.	Midrand	100 %
South Korea		
Alcon Korea Ltd.	Seoul	100 %
Spain		
Alcon Healthcare S.A.	Barcelona	100 %
Switzerland		
Alcon Grieshaber AG	Schaffhausen	100 %
Alcon Management SA	Vernier	100 %
Alcon Pharmaceuticals Ltd.	Fribourg	100 %
Alcon Services AG	Fribourg	100 %
Alcon Switzerland SA	Zug	100 %
Thailand		
Alcon Laboratories (Thailand) Limited	Bangkok	100 %
Turkey		
Alcon Laboratuvarlari Ticaret A.S.	Istanbul	100 %
Ukraine		
Alcon Ukraine LLC	Kiev	100 %
United Kingdom		
Alcon Eye Care UK Limited	Frimley/Camberley	100 %

Country of organization/Entity name	Place of business	Equity interest
United States of America		
Alcon Finance Corporation	Fort Worth, TX	100 %
Alcon Laboratories, Inc.	Fort Worth, TX	100 %
Alcon LenSx, Inc.	Fort Worth, TX	100 %
Alcon RefractiveHorizons, LLC	Fort Worth, TX	100 %
Alcon Research, LLC	Fort Worth, TX	100 %
Alcon Vision, LLC	Fort Worth, TX	100 %
CIBA Vision, LLC	Fort Worth, TX	100 %
WaveLight, Inc.	Fort Worth, TX	100 %
PowerVision, Inc.	Fort Worth, TX	100 %
Tear Film Innovations, Inc.	Fort Worth, TX	100 %
TrueVision Systems, Inc.	Fort Worth, TX	100 %
Uruguay		
Alcon Laboratorios Uruguay S.A.	Montevideo	100 %

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Alcon Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Alcon Inc. and its subsidiaries (the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income/(loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control Over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill and Alcon Brand Name Impairment Assessments

As described in Notes 3 and 10 to the consolidated financial statements, as of December 31, 2021 the Company had \$8.9 billion of goodwill, as well as a \$3.0 billion indefinite life intangible asset related to the Alcon brand name. An impairment assessment on goodwill and indefinite life intangible assets, which is performed over the groupings of cash generating units containing goodwill or the Alcon brand name, is performed at least annually. A cash generating unit to which goodwill has been allocated is considered impaired when its carrying amount, including the goodwill, exceeds its recoverable amount, which is defined as the higher of its fair value less costs of disposal and its value in use. An intangible asset other than goodwill is considered impaired when its balance sheet carrying amount exceeds its estimated recoverable amount, which is defined as the higher of its fair value less costs of disposal and its value in use. Usually, management applies the fair value less costs of disposal method for its impairment assessment. In most cases, no direct or indirect observable market prices for identical or similar assets are available to measure the fair value less costs of disposal. Therefore, an estimate of fair value less costs of disposal is based on net present value techniques utilizing post-tax cash flows and discount rates. The estimates used by management in calculating the net present values involve significant judgment by management and include assumptions with measurement uncertainty, such as the amount and timing of projected cash flows, long-term sales forecasts, terminal growth rate, discount rate, and additionally for the Alcon brand name, royalty rate.

The principal considerations for our determination that performing procedures relating to the goodwill and Alcon brand name impairment assessments is a critical audit matter are the significant judgment by management when determining the fair value less costs of disposal, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating, for (i) goodwill, management's significant assumptions related to long-term sales forecasts and discount rate, and (ii) the Alcon brand name, management's significant assumptions related to long-term sales forecasts, discount rate and royalty rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill and the Alcon brand name impairment assessments, including controls over the determination of the fair value less costs of disposal. These procedures also included, among others, testing management's process for developing the fair value less costs of disposal estimates; evaluating the appropriateness of the estimates; testing the completeness, accuracy, and relevance of underlying data used; and evaluating the significant assumptions used by management related to long-term sales forecasts, discount rates and royalty rate. Evaluating management's assumptions related to long-term sales forecasts involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the business, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of management's estimation method of fair value less costs of disposal and the discount rate and royalty rate significant assumptions.

In-Process Research and Development and Definite Lived Intangible Asset Impairment Assessments

As described in Notes 3 and 10 to the consolidated financial statements, as of December 31, 2021 the Company had \$557 million of in-process research and development (IPR&D) intangible assets and \$5,228 million of definite lived intangible assets. IPR&D is evaluated for potential impairment on an annual basis or when facts and circumstances warrant. Individual definite lived intangible assets are evaluated for potential impairment whenever facts and circumstances indicate that their carrying value may not be recoverable. An intangible asset is considered impaired when its carrying amount exceeds its estimated recoverable amount, which is defined as the higher of its fair value less costs of disposal and its value in use. Usually, management applies the fair value less costs of disposal method for its impairment

assessment. In most cases, no direct or indirect observable market prices for identical or similar assets are available to measure the fair value less costs of disposal. Therefore, an estimate of fair value less costs of disposal is based on net present value techniques utilizing post-tax cash flows and discount rates. The estimates used by management in calculating the net present values involve significant judgment by management and include assumptions with measurement uncertainty, such as the amount and timing of projected cash flows, long-term sales forecasts, and discount rates, and additionally for IPR&D intangible assets, the timing and probability of success.

The principal considerations for our determination that performing procedures relating to the IPR&D and definite lived intangible asset impairment assessments is a critical audit matter are the significant judgment by management when determining the fair value less costs of disposal, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating for (i) IPR&D intangible assets, management's significant assumptions related to long-term sales forecasts, discount rate, and probability of success, and (ii) definite lived intangible assets, management's significant assumptions related to long-term sales forecasts and discount rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's IPR&D and definite lived intangible asset impairment assessments, including controls over the determination of the fair value less costs of disposal. These procedures also included, among others, testing management's process for developing the fair value less costs of disposal estimates; evaluating the appropriateness of the estimates; testing the completeness, accuracy, and relevance of underlying data used; and evaluating the significant assumptions used by management related to long-term sales forecasts, discount rates and probability of success. Evaluating management's assumptions related to long-term sales forecasts and probability of success involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the business, and (ii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Evaluating management's assumption related to long-term sales forecasts also involved considering consistency with external market and industry data. Professionals with specialized skill and knowledge were used to assist in the evaluation of management's estimation method of fair value less costs of disposal and the discount rate significant assumptions.

/s/ PricewaterhouseCoopers LLP

Fort Worth, Texas
February 15, 2022

We have served as the Company's auditor since 2019.

DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT

As of December 31, 2021 Alcon Inc. ("Alcon," "we," "us," and "our") had the following securities registered pursuant to Section 12(b) of the Exchange Act:

A. OFFER AND LISTING DETAILS

Alcon is a stock corporation (*société anonyme*) organized under the laws of Switzerland in accordance with article 620 et seq. of the Swiss Code of Obligations ("Swiss CO") and registered with the Register of Commerce of the Canton of Fribourg, Switzerland ("Commercial Register") under registration number CHE-234.781.164. Alcon is registered in the Commercial Register under each of Alcon AG, Alcon SA and Alcon Inc., all of which are stated in Alcon's Articles of Incorporation (our "Articles") as our corporate name. Alcon was formed for an unlimited duration, effective as of the date of the registration of Alcon in the Commercial Register on September 21, 2018. As a result of Novartis' Spin-off of Alcon and its consolidated subsidiaries on April 9, 2019, Alcon became an independent, standalone corporation. Alcon Inc. shares are listed on the SIX Swiss Exchange ("SIX") and the New York Stock Exchange ("NYSE") as global registered shares under the trading ticker "ALC". As such, they can be traded and transferred across applicable borders, without the need for conversion, with identical shares traded on different stock exchanges in different currencies.

As of December 31, 2021, the share capital of Alcon Inc. was CHF 19,988,000, fully paid-in and divided into 499,700,000 registered shares, each with a nominal value of CHF 0.04.

The Company has a single class of shares, being registered shares in the form of uncertificated securities (in the sense of the Swiss Code of Obligations). A portion of these uncertificated shares is issued as intermediated securities (*titres intermédiés*) within the meaning of the Swiss Federal Intermediated Securities Act via the settlement system operated by SIX SIS, with the remaining shares directly held through Computershare Trust Company, N.A. in the U.S. All Alcon shares have equal voting rights and carry equal entitlements to dividends.

No participation certificates (*bons de participations*) or profit-sharing certificates (*bons de jouissance*) have been issued.

The shares have the rights, preferences and restrictions described below in "Memorandum and Articles of Incorporation."

B. MEMORANDUM AND ARTICLES OF INCORPORATION

The following is a summary of certain provisions of our Articles, our Regulations of the Board of Directors ("Board Regulations") and of Swiss law, particularly, the Swiss CO. This is not a summary of all the significant provisions of the Articles, the Board Regulations or of Swiss law and does not purport to be complete. This description is qualified in its entirety by reference to the Articles and the Board Regulations, for which English translations are filed as exhibits to this Form 20-F, and to Swiss law.

Shareholder Rights

Because Alcon has only one class of registered shares, the following information applies to all shareholders.

Dividend Rights

The Swiss CO requires that, among other things, at least 5% of our annual profit be retained as general reserves, so long as these reserves amount to less than 20% of our registered share capital. Swiss law and the Articles permit us to accrue additional reserves.

Under the Swiss CO, we may only pay dividends out of balance sheet profits, out of reserves created for this purpose or out of free reserves. In any event, under the Swiss CO, while the Board may propose that a dividend be paid, we may only pay dividends upon shareholders' approval at a General Meeting of Shareholders. To the extent approved, dividends are usually due and payable shortly after the shareholders have passed a resolution approving the payment. Dividends which have not been claimed within five years after the due date revert to us, and are allocated to our general reserves.

Voting Rights

Each share is entitled to one vote at a General Meeting of Shareholders. Voting rights may only be exercised for shares registered on the Alcon share register on the record date for the applicable General Meeting of Shareholders. In order to do so, the shareholder must file a share registration form with us, setting forth the shareholder's name, address and domicile (or, in the case of a legal entity, its registered office). If the shareholder has not timely filed the form, then the shareholder may not vote at, or participate in, General Meetings of Shareholders. Shareholders should contact their bank or broker if they wish to register their Alcon shares. Acquirers of Alcon shares that are registered on the Alcon U.S. share register maintained by Alcon's U.S. share registrar, Computershare Trust Company, N.A., should file a registration form with Computershare Trust Company, N.A.

Except as noted in the paragraph immediately below, shareholders' resolutions require the approval of a majority of the votes present at a General Meeting of Shareholders. As a result, abstentions have the effect of votes against such resolutions. Some examples of shareholders' resolutions requiring a vote by such "absolute majority of the votes" are (1) amendments to the Articles; (2) elections of Directors, the Chair of the Board, the compensation committee members, the independent proxy and the statutory auditors; (3) approval of the management report and the financial statements (consolidated and stand-alone); (4) setting the annual dividend, if any; (5) approval of the aggregate amounts of compensation of the Directors and the members of the ECA; (6) decisions to discharge Directors and management from liability for matters disclosed to the General Meeting of Shareholders; and (7) the ordering of an independent investigation into specific matters proposed to the General Meeting of Shareholders. As a matter of Swiss law, certain other matters also require a supermajority, including certain mergers, demergers and transformations under the Swiss Merger Act.

According to the Articles and Swiss law, the following types of shareholders' resolutions require the approval of a "supermajority" of at least two thirds of the votes present at a General Meeting of Shareholders: (1) an alteration of our corporate purpose; (2) the creation of shares with increased voting powers; (3) an implementation of restrictions on the transfer of registered shares and the removal of such restrictions; (4) the creation of an authorized or conditional share capital; (5) an increase of the share capital by conversion of equity, by contribution in kind, or for the purpose of an acquisition of property or the grant of special rights; (6) a restriction or an exclusion of shareholders' pre-emptive rights; (7) a change of our registered office; (8) our dissolution; or (9) any amendment to the Articles which would create or eliminate a supermajority requirement.

Our shareholders are required to annually elect all of the members of the Board, as well as the Chair of the Board, the members of the compensation committee and the independent proxy. The Articles do not provide for cumulative voting of shares.

At General Meetings of Shareholders, shareholders can be represented by the independent proxy or by a third person authorized by written proxy who does not need to be a shareholder. Votes are taken either by a show of hands or by electronic voting, unless the General Meeting of Shareholders resolves to have a ballot or where a ballot is ordered by the chair of the meeting. In light of the COVID 19 pandemic, the Swiss government has extended the authorization enabling Alcon to request that shareholders exercise their rights exclusively (i) in writing or online, or (2) through the independent proxy. This measure is valid until the entry into force of the Swiss corporate law reform on January 1, 2023.

Rights to Share in the Company's Profits

Shareholders have the right to allocate the profit shown on our balance sheet and to distribute dividends by vote taken at the General Meeting of Shareholders, subject to the legal requirements described above.

Rights to Share in any Surplus in the Event of Liquidation

Under the Swiss CO, any surplus arising out of a liquidation of Alcon (i.e., after the settlement of all claims of all creditors) would be distributed to the shareholders in proportion to the paid in nominal value of their shares.

Redemption Provisions

The Swiss CO limits a corporation's ability to hold or repurchase its own shares. We and our subsidiaries may only repurchase shares if we have freely disposable equity available in the amount necessary for this purpose. The aggregate nominal value of all Alcon shares held by us and our subsidiaries may not exceed 10% of our registered share capital. However, it is accepted that a corporation may repurchase its own shares beyond the statutory limit of 10%, if the repurchased shares are clearly earmarked for cancellation and such repurchase

has been approved by our shareholders. In addition, we are required to recognize a negative position for our own shares acquired by Alcon or, if our subsidiaries acquire our shares, create a special reserve on our balance sheet in each case in the amount of the purchase price of the acquired shares. Repurchased shares held by us or our subsidiaries do not carry any rights to vote at a General Meeting of Shareholders but are entitled to the economic benefits generally connected with the shares.

Under the Swiss CO, we may not cancel treasury shares without the approval of a capital reduction by our shareholders.

Changes to Shareholder Rights

Under the Swiss CO, we may not issue new shares without the prior approval of a capital increase by our shareholders, subject to the existing authorized share capital of Alcon pursuant to the Articles. If a capital increase is approved, then our shareholders would generally have certain pre-emptive rights to obtain newly issued shares in an amount proportional to the nominal value of the shares they already hold. These pre-emptive rights could be excluded in certain limited circumstances with the approval of a resolution adopted at a General Meeting of Shareholders by a supermajority of two thirds of the votes present. In addition, we may not create shares with increased voting powers or place restrictions on the transfer of registered shares without the approval of a resolution adopted at a General Meeting of Shareholders by a supermajority of votes.

Limitations

There are no limitations under the Swiss CO or our Articles on the right of non-Swiss residents or nationals to own or vote shares.

Change in Control

The Articles and the Board Regulations contain no provision that would have an effect of delaying, deferring or preventing a change in control of Alcon and that would operate only with respect to a merger, acquisition or corporate restructuring involving us or any of our subsidiaries.

According to the Swiss Merger Act, shareholders may pass a resolution to merge with another corporation at any time. Such a resolution would require the consent of at least two thirds of all votes present at the necessary General Meeting of Shareholders.

Under the Swiss Financial Market Infrastructure Act, shareholders and groups of shareholders acting in concert who acquire more than 33 1/3% of our shares would be under an obligation to make an offer to acquire all remaining Alcon shares. Alcon has neither opted out from the mandatory takeover offer obligation nor opted to increase the threshold for mandatory takeover offers in the Articles.

Disclosure of Shareholdings

Under the Swiss Financial Market Infrastructure Act, persons who directly, indirectly or in concert with other parties acquire or dispose of our shares or purchase or sale rights relating to our shares are required to notify us and the SIX of the level of their holdings whenever such holdings reach, exceed, or fall below certain thresholds— 3%, 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% and 66 2/3%— of the voting rights represented by our share capital (whether exercisable or not). This also applies to anyone who has discretionary power to exercise voting rights associated with our shares. Following receipt of such notification we are required to inform the public by publishing the information via the electronic publication platform operated by the SIX.

An additional disclosure obligation exists under the Swiss CO which requires us to disclose, once a year in the notes to the financial statements published in our annual report, the identity of all of our shareholders (or related groups of shareholders) that hold a participation exceeding 5% of all voting rights.

Changes in Capital

The requirements of the Articles regarding changes in capital are not more stringent than the requirements of Swiss law.

OPTION AGREEMENT AND PLAN OF MERGER

BY AND AMONG

ALCON RESEARCH, LTD.,

ITHACA MERGER SUB, INC.,

AND

IVANTIS, INC.

DATED AS OF

November 9, 2018

THIS DOCUMENT SHALL BE KEPT CONFIDENTIAL PURSUANT TO THE TERMS OF THE CONFIDENTIALITY AGREEMENT ENTERED INTO BY THE RECIPIENT HEREOF OR, IF APPLICABLE, ITS AFFILIATE, WITH RESPECT TO THE SUBJECT MATTER HEREOF.

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- Appendix I - Restricted Persons
- Appendix II - Applicable Accounting Principles

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- Schedule 11.3.11 - Third Party Consents

EXHIBITS

- Exhibit A - Form of Noncompetition, Nonsolicitation and Confidentiality Agreement
- Exhibit B - Form of Escrow Agreement
- Exhibit C - Form of Payments Administration Agreement
- Exhibit D - Form of Support Agreement
- Exhibit D-1 - Form of Berlin Support Agreement
- Exhibit E - Form of Option Exercise Notice
- Exhibit F - Form of Certificate of Merger
- Exhibit G - Certificate of Incorporation of the Surviving Corporation
- Exhibit H - Form of Invoice
- Exhibit I - Form of Letter of Transmittal
- Exhibit J - Pro Forma Closing Payment Spreadsheet

OPTION AGREEMENT AND PLAN OF MERGER

This OPTION AGREEMENT AND PLAN OF MERGER (this “Agreement”) is made and entered into as of November 9, 2018 (the “Execution Date”), by and among (i) Alcon Research, Ltd., a Delaware corporation (the “Parent”), (ii) Ithaca Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of the Parent (the “Merger Sub”), (iii) Ivantis, Inc., a Delaware corporation (the “Company”), and (iv) following its nomination and appointment, and delivery by it of a joinder to this Agreement, in each case, in accordance with Section 10.1 of this Agreement, the Stockholder Representative (as defined herein).

RECITALS

WHEREAS, the Company has evaluated numerous potential strategic alternatives and financing strategies and evaluated the Company’s prospects and the risks and uncertainties facing its business;

WHEREAS, the Company wishes to grant to the Parent an exclusive option to acquire the Company (the “Option”) pursuant to a merger of the Merger Sub with and into the Company with the Company continuing as the surviving corporation (the “Merger”) upon the terms and subject to the conditions of this Agreement and in accordance with the General Corporation Law of the State of Delaware, as amended (“Delaware Law”);

WHEREAS, the respective boards of directors of the Parent, the Merger Sub and the Company have approved and adopted this Agreement and declared advisable the Option and the Merger upon the terms and subject to the conditions of this Agreement and Delaware Law;

WHEREAS, the boards of directors of the Company and the Merger Sub have recommended this Agreement for adoption and approval by their respective stockholders;

WHEREAS, promptly following the execution and delivery of this Agreement by the Company, the Company shall seek approval of this Agreement, the Option, the Merger and the other transactions contemplated hereby by written consent (the “Stockholder Written Consent”) by the Required Stockholder Vote (as defined herein) in accordance with applicable Law and the Company Charter Documents (as defined herein), and as otherwise required hereunder; and

WHEREAS, concurrently with the execution of this Agreement, the Persons set forth on Appendix I are executing and delivering a Noncompetition, Nonsolicitation and Confidentiality Agreement in the form attached hereto as Exhibit A (the “Noncompetition Agreement”) which shall be subject to and conditioned upon the Closing and the continued employment of such Person.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements set forth in this Agreement, the Parties agree as follows.

ARTICLE 1 DEFINITIONS

1.1 Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings.

1.1.1 “2007 Company Option Plan” shall mean the Company’s 2007 Stock Incentive Plan.

1.1.2 “2017 Company Option Plan” shall mean the Company’s 2017 Stock Incentive Plan.

1.1.3 “858 IPR Decision” shall mean [***]

1.1.4 “858 IPR Decision Date” shall mean [***]

1.1.5 “Accounting Firm” shall mean KPMG or, if such firm is unable or unwilling to act, such other nationally recognized independent public accounting firm as shall be agreed upon by the Parent and the Stockholder Representative in writing.

1.1.6 “Action” shall mean any claim, complaint, investigation, petition, litigation, suit, arbitration, charge, cause of action, allegation, hearing, criminal prosecution, demand letter, or proceeding whether civil, criminal, administrative, or investigative, at law or at equity, before or by any Governmental Entity, arbitrator, other tribunal, or any other Person, and any information request from a Governmental Entity.

1.1.7 “Adjustment Holdback” shall mean an amount equal to \$[***], which shall be held back from payment of the Closing Payment by the Parent at the Closing to be used towards satisfaction of any adjustment required pursuant to Section 3.5.

1.1.8 “Affiliate” shall mean, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such Person. When used in this Agreement, “control”, including, with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”, as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct the management and policies of such Person, whether through the ownership of voting securities, status as a general partner, by contract or otherwise.

1.1.9 “Aggregate Exercise Price” shall mean the aggregate exercise price of all vested In-the-Money Options (including, for the avoidance of doubt, all such Company Options that vest in connection with the consummation of the transactions contemplated by this Agreement outstanding immediately prior to the Closing).

1.1.10 “Agreement” has the meaning set forth in the Preamble.

1.1.11 “Anti-Corruption Laws” shall mean Laws relating to anti-bribery or anti-corruption (governmental or commercial) that apply to the Company, including Laws that prohibit the corrupt payment, offer, promise or authorization of the payment or transfer of anything of value (including gifts or entertainment), directly or indirectly, to any foreign Government Official, foreign government employee or commercial entity to obtain a business advantage, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act of 2010 and all national and international Laws enacted to implement the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions.

1.1.12 “Antitrust Laws” shall mean all Laws, in any jurisdiction, that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition, including the HSR Act.

1.1.13 “Applicable Accounting Principles” shall mean the accounting principles set forth in Appendix II.

1.1.14 “Applicable Accounting Standards” shall mean, with respect to the Company, GAAP and, with respect to the Parent, the Merger Sub, and the Selling Party, IFRS or GAAP, whichever is utilized by Parent to satisfy its reporting obligations to its shareholders, in each case, as generally and consistently applied throughout the Party’s organization.

1.1.15 “Auditor” has the meaning set forth in Section 3.2.2.4.

1.1.16 “Balance Sheet Date” has the meaning set forth in Section 5.4.1.

1.1.17 “Balance Sheet Liabilities” has the meaning set forth in Section 5.4.4.

1.1.18 “Benefit Plan” shall mean (i) each “employee benefit plan” (within the meaning of Section 3(3) of ERISA); (ii) each employment, consulting, severance, termination, change in control, retention, vacation, salary continuation, bonus, incentive, stock option, stock purchase, stock-based, retirement, pension, profit sharing or deferred compensation plan or other similar contract, program, fund, policy or arrangement of any kind; and (iii) each other plan, contract, program, fund, policy or arrangement (whether written or oral, qualified or nonqualified, funded or unfunded, foreign or domestic, currently effective or terminated) and any trust, escrow or similar agreement related thereto, involving direct or indirect compensation or benefits other than workers’ compensation, unemployment compensation and other government programs, in each case, that is sponsored, maintained or contributed to by, or required to be contributed to by, any Relevant Company, or

under which any Relevant Company has any Liability, in each case, for the benefit of any current or former employee, officer, Contract Worker, stockholder or director of the Company.

1.1.19 “Berlin” shall mean Michael S. Berlin.

1.1.20 “Berlin Escrow” shall mean an escrow account established in accordance with the Berlin Patent Assignment Agreement.

1.1.21 “Berlin Patent Assignment Agreement” shall mean the Patent Assignment Agreement, dated as of July 12, 2018, by and between the Company and Berlin.

1.1.22 “Berlin Support Agreement” shall mean a Support Agreement, duly executed by Berlin, in the form attached hereto as Exhibit D-1.

1.1.23 “Business Day” shall mean any day other than (i) a Saturday or Sunday or (ii) a day on which banks in Basel, Switzerland; Fort Worth, Texas; or Los Angeles, California are required or authorized by Law or Order to be closed for regular banking business.

1.1.24 “Calendar Year” shall mean a period of 12 consecutive calendar months ending on December 31.

1.1.25 “CE Mark of Conformity” shall mean the certificates issued by a Notified Body following the completion of a conformity assessment procedure in relation to a medical device.

1.1.26 “Certificates” has the meaning set forth in Section 4.4.1.

1.1.27 “CFIUS” shall mean the Committee on Foreign Investment in the United States, as established by the DPA, as amended.

1.1.28 “CFO Certificate” has the meaning set forth in Section 4.1.1.3.

1.1.29 “Claim” has the meaning set forth in Section 9.3.2.

1.1.30 “Claim Notice” has the meaning set forth in Section 9.7.

1.1.31 “Closing” has the meaning set forth in Section 2.3.

1.1.32 “Closing Cash” shall mean the aggregate amount of any cash and cash equivalents of the Relevant Companies, less (i) any restricted cash, less (ii) any drawn but uncashed checks, plus (iii) any deposited but not yet credited checks as of such time and/or any wire transfers initiated but not yet received as of such time, in each case as determined as of 11:59 p.m. Eastern time on the day immediately preceding the Closing Date and without giving effect to any of the transactions contemplated hereby. The Closing Cash shall not include any cash in the Berlin Escrow.

1.1.33 “Closing Date” has the meaning set forth in Section 2.3.

1.1.34 “Closing Date Balance Sheet” has the meaning set forth in Section 3.5.1.

1.1.35 “Closing Indebtedness” shall mean the Indebtedness of the Relevant Companies, calculated as of immediately prior to the Effective Time and without giving effect to any of the transactions contemplated hereby.

1.1.36 “Closing Payment” shall mean the Estimated Total Closing Consideration, minus the Indemnity Escrow Amount, minus the Adjustment Holdback, minus the Stockholder Representative Reimbursement Fund.

1.1.37 “Closing Payment Spreadsheet” has the meaning set forth in Section 4.1.1.4.

- 1.1.38 “COBRA” shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.
- 1.1.39 “Code” shall mean the Internal Revenue Code of 1986, as amended.
- 1.1.40 “Combination Product” has the meaning set forth in Section 1.1.159.13.
- 1.1.41 “Comment Notice” has the meaning set forth in Section 2.1.2.3.
- 1.1.42 “Comment Response Period” has the meaning set forth in Section 2.1.2.3.
- 1.1.43 “Common Stockholder Vote” shall mean the affirmative vote or written consent of the holders of a majority of the outstanding shares of Company Common Stock, voting together as a single class.
- 1.1.44 “Company” has the meaning set forth in the Preamble.
- 1.1.45 “Company 401(k) Plan” has the meaning set forth in Section 8.13.
- 1.1.46 “Company Acquisition Proposal” has the meaning set forth in Section 8.10.1.
- 1.1.47 “Company Balance Sheet” has the meaning set forth in Section 5.4.1.
- 1.1.48 “Company Bylaws” has the meaning set forth in Section 5.1.4.
- 1.1.49 “Company Capital Stock” shall mean the Company Common Stock (including, for the avoidance of doubt, the Company Restricted Shares) and Company Preferred Stock.
- 1.1.50 “Company Certificate of Incorporation” has the meaning set forth in Section 5.1.4.
- 1.1.51 “Company Charter Documents” has the meaning set forth in Section 5.1.4.
- 1.1.52 “Company Common Stock” shall mean the common stock, par value US\$0.001 per share, of the Company.
- 1.1.53 “Company Confidential Information” has the meaning set forth in Section 8.1.1.
- 1.1.54 “Company Disclosure Schedule” has the meaning set forth in Section 13.10.
- 1.1.55 “Company Financial Statements” has the meaning set forth in Section 5.4.1.
- 1.1.56 “Company Governing Agreements” has the meaning set forth in Section 5.2.4.
- 1.1.57 “Company Holders” shall mean (i) the holders of record of Company Capital Stock as of immediately prior to the Effective Time and (ii) the holders of Company Options as of immediately prior to cancellation thereof pursuant to Section 4.3.
- 1.1.58 “Company Indemnitees” has the meaning set forth in Section 8.4.1.
- 1.1.59 “Company Intellectual Property” has the meaning set forth in Section 5.8.3.
- 1.1.60 “Company Intellectual Property Licenses” has the meaning set forth in Section 5.8.11.
- 1.1.61 “Company Material Adverse Effect” shall mean any circumstance, change, effect or occurrence (whether considered alone or in combination with other circumstances, changes, effects or occurrences) that has had or would reasonably be expected to have a material adverse effect on the condition (financial or otherwise), assets (including intangible assets), business, or results of operations of the Relevant

Companies or on the ability of the Relevant Companies to consummate the transactions contemplated hereby; provided, however, that none of the following shall be deemed, either alone or in combination, to constitute, or be taken into account in determining whether there has been a Company Material Adverse Effect: (i) any changes affecting general economic, political or financial market conditions, foreign or domestic; (ii) any changes generally affecting the medical device industry; (iii) any failure by the Relevant Companies to meet internal or other estimates, predictions, projections or forecasts, including as provided to the Parent by the Company or any of the Company's Representatives, related to revenue, net income or any other measure of financial performance (provided, that the facts giving rise or contributing to any such failure may be deemed to constitute, or be taken into account in determining whether there has been, a Company Material Adverse Effect); (iv) any changes arising from or attributable or relating to any breach by the Parent or the Merger Sub of this Agreement or any other Transaction Document; (v) additions, amendments, changes or modifications to any Law, GAAP, IFRS or the regulatory or interpretative guidance relating thereto, including the action of any regulatory agency; (vi) acts of war or terrorism or any escalation or material worsening of any such acts of war or terrorism; (vii) any effect resulting from the filing or threat of any Action relating to any of the Company Intellectual Property or any other matter or item disclosed in a Section of the Company Disclosure Schedule relating to Section 5.8 of this Agreement, not resulting in the entry of a preliminary or permanent injunction prior to the Effective Time; (viii) any circumstance, change, effect or occurrence relating to any Relevant Company's failure to conduct successful clinical trials on a timely basis for any of its products in development; or (ix) any changes attributable to the announcement of the Merger and the other transactions contemplated by this Agreement, except that, with respect to the changes described in clauses (i), (ii), (v) or (vi) above, such change will be taken into account to the extent such change has had a disproportionate effect on the Relevant Companies as compared to other similar companies engaged in the medical device industry.

1.1.62 "Company Option" shall mean each option or right to purchase shares of Company Common Stock, including options granted under the Company Option Plans, that is vested (including such Company Options for which vesting is accelerated as a result of the transaction contemplated hereby), outstanding and unexercised immediately prior to the Effective Time.

1.1.63 "Company Option Closing Payment" has the meaning set forth in Section 4.3.3.2.

1.1.64 "Company Option Plans" shall mean the 2007 Company Option Plan and the 2017 Company Option Plan.

1.1.65 "Company Permits" has the meaning set forth in Section 5.9.2.

1.1.66 "Company Preferred Stock" shall mean the Series A Preferred Stock, the Series B Preferred Stock, and the Series C Preferred Stock.

1.1.67 "Company Representation Termination Date" has the meaning set forth in Section 9.4.3.

1.1.68 "Company Restricted Shares" shall mean each share of restricted Company Common Stock granted under the Company Option Plans.

1.1.69 "Company Rights" has the meaning set forth in Section 5.2.4.

1.1.70 "Company Subsidiaries" shall mean the Subsidiaries of the Company.

1.1.71 "Company Subsidiary Charter Documents" has the meaning set forth in Section 5.1.4.

1.1.72 "Company's Knowledge" (and words of similar import) shall mean the actual knowledge of Dave Van Meter, Todd Abraham, Ken Galt, Helene Spencer, Richard Hope, Brett Trauthen, Jennifer Wilson, Michael Chodzko, Frank Shields, Glen Burgess, David Kimball and Kelli Gerasimou after due inquiry.

1.1.73 "Confidential Information" shall mean all Intellectual Property or other information disclosed by a Party to the other Party, including proprietary information and materials (whether or not patentable) regarding a Party's technology, products, business information or objectives, that is treated as confidential by the disclosing Party in the regular course of business, is designated as confidential by the

disclosing Party or that the receiving Party could reasonably be expected to believe is confidential. The terms of this Agreement shall constitute the “Confidential Information” of both the Parent and the Company.

1.1.74 “Contract Worker” shall mean independent contractors, consultants, temporary employees, leased employees, retired persons entitled to payment from the Company, or other service providers employed or used by any Relevant Company who are not (i) classified by the Relevant Company as employees or (ii) compensated by a Relevant Company through wages reported on a form W-2.

1.1.75 “Copyrights” shall mean all copyrights and registrations and applications therefor, works of authorship and mask work rights.

1.1.76 “Current Representation” has the meaning set forth in Section 13.16.

1.1.77 “Damages” shall mean any loss, liability, injury, claim, settlement, judgment, award, fine, penalty, damage, Taxes, Encumbrance, charge, cost or expense of any nature (including costs of collection and reasonable attorneys’ fees and disbursements and other litigation expenses), whether or not involving the claim of another Person; provided, however, that “Damages” shall not include, and the Parent Indemnified Parties shall not be entitled to seek or recover from any Company Holder under any theory of liability, for diminution of value of the Company, lost profits, consequential, incidental or punitive damages, unless such damages are (i) actually paid or payable pursuant to a Third Party Claim, or (ii) reasonably foreseeable and flow proximately from the breach giving rise thereto.

1.1.78 “Data Request Date” has the meaning set forth in Section 2.1.2.1.

1.1.79 “Data Request Trigger Date” shall mean the first Data Request Date on or after December 1, 2019.

1.1.80 “Data Room” shall mean the information that is readable, printable and otherwise fully accessible to the Parent and its Representatives in the electronic data room maintained by the Company as of 5 p.m. on the date immediately prior to the Execution Date.

1.1.81 “Debt Payment Schedule” has the meaning set forth in Section 4.1.1.2.

1.1.82 “Delaware Law” has the meaning set forth in the Recitals.

1.1.83 “Designated Person” has the meaning set forth in Section 13.6.

1.1.84 “Dissenting Shares” has the meaning set forth in Section 4.8.1.

1.1.85 “DOJ” has the meaning set forth in Section 8.3.2.

1.1.86 “DPA” shall mean the Defense Production Act of 1950, as amended.

1.1.87 “Due Diligence Package” has the meaning set forth in Section 2.1.2.1.

1.1.88 “Effective Time” has the meaning set forth in Section 2.3.

1.1.89 “Election to Defend” has the meaning set forth in Section 9.8.2.

1.1.90 “Employment Laws” shall mean, to the extent enacted prior to the Closing Date and as in effect on the Closing Date, all federal, state and local statutes, regulations, ordinances, and judicial and administrative orders and determinations concerning hiring, termination, collective bargaining, compensation, harassment, discrimination, and retaliation in employment, affirmative action, immigration, work authorization, terms and conditions of employment, payroll tax withholding and deductions, unemployment compensation, worker’s compensation, worker classification (including the proper classification of workers as Contract Workers and employees as exempt or non-exempt under applicable Laws), leaves of absences, privacy, records and files, social security contributions, wages, hours of work, occupational safety and health, and all other employment practices.

1.1.91 “Encumbrance” shall mean any lien, claim, charge, option, mortgage, pledge, security interest, right of first refusal or right of first offer, license, encumbrance (including any lease, easement, license, zoning ordinance, covenant, condition, restriction or right-of-way) or other similar right affecting real, personal or intangible property, in each case, whether arising by contract, operation of law or otherwise. “Encumber” shall have the corresponding meaning.

1.1.92 “Enterprise Value” shall mean \$[***]

1.1.93 “Environmental Claim” shall mean any Action or other written or oral notice alleging potential Liability arising out of, based on or resulting from (i) the presence or Release or threatened Release of any Environmental Material at a location, whether or not owned or operated by the Party subject to the allegation or any of its Affiliates, or (ii) any violation, or alleged violation, of any Environmental Law.

1.1.94 “Environmental Law” shall mean any Law or Order relating to (i) the regulation of pollution, or protection of the environment, natural resources, or health and safety (with respect to Environmental Materials), or (ii) the handling, use, Release or threatened Release of any Environmental Material.

1.1.95 “Environmental Material” shall mean any substance, material or waste that is listed, characterized, defined, classified or regulated by any Environmental Law as hazardous, toxic, dangerous, a pollutant or contaminant, or words of similar meaning and effect, including (i) any petroleum or petroleum product or by-product, asbestos-containing material, lead-containing paint or plumbing, polychlorinated biphenyls, radioactive materials or radon, or (ii) any other hazardous substance that may be regulated pursuant to any Environmental Law.

1.1.96 “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.1.97 “ERISA Affiliate” shall mean any other Person under common control with the Company within the meaning of Section 414(b), (c), (m) or (o) of the Code and the regulations issued thereunder.

1.1.98 “Escrow Agent” shall mean, subject to Section 8.23, JPMorgan Chase Bank, N.A.

1.1.99 “Escrow Agreement” shall mean, subject to Section 8.23, an Escrow Agreement to be dated as of the Closing Date, by and among the Escrow Agent, the Parent and the Stockholder Representative, substantially in the form attached hereto as Exhibit B.

1.1.100 “Estimate Statement” has the meaning set forth in Section 3.4.2.

1.1.101 “Estimated Closing Cash” has the meaning set forth in Section 3.4.2.

1.1.102 “Estimated Closing Date Balance Sheet” has the meaning set forth in Section 3.4.2.

1.1.103 “Estimated Closing Indebtedness” has the meaning set forth in Section 3.4.2.

1.1.104 “Estimated Total Closing Consideration” has the meaning set forth in Section 3.4.2.

1.1.105 “Estimated Transaction Expenses” has the meaning set forth in Section 3.4.2.

1.1.106 “Estimated Working Capital” has the meaning set forth in Section 3.4.2.

1.1.107 “Execution Date” has the meaning set forth in the Preamble.

1.1.108 “Extension Notice” has the meaning set forth in Section 2.1.3.

1.1.109 “Extension Payment” has the meaning set forth in Section 2.1.3.

1.1.110 “FDA” shall mean the United States Food and Drug Administration, or any successor agency.

1.1.111 “FDCA” shall mean the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. §§ 301 et seq., as amended, and the regulations promulgated thereunder by the FDA.

1.1.112 “Final Closing Cash” has the meaning set forth in Section 3.5.1.

1.1.113 “Final Closing Indebtedness” has the meaning set forth in Section 3.5.1.

1.1.114 “Final Total Closing Consideration” has the meaning set forth in Section 3.5.1.

1.1.115 “Final Transaction Expenses” has the meaning set forth in Section 3.5.1.

1.1.116 “Final Working Capital” has the meaning set forth in Section 3.5.1.

1.1.117 “First Release Date” has the meaning set forth in Section 9.14.1.

1.1.118 “Fraud” has the meaning set forth in Section 9.6.

1.1.119 “FTC” has the meaning set forth in Section 8.3.2.

1.1.120 “Fully Diluted Common Stock” shall mean the sum of the aggregate number of shares of Company Common Stock issued and outstanding immediately prior to the Effective Time assuming, without double-counting, (i) conversion of all shares of the Company Preferred Stock issued and outstanding immediately prior to the Effective Time to Company Common Stock and (ii) the exercise of all In-the-Money Options issued and outstanding immediately prior to the Effective Time.

1.1.121 “Fundamental Company Representations” shall mean the representations and warranties of the Company set forth in Section 5.1 (Organization; Subsidiaries), Section 5.2 (Company Capitalization), Section 5.3 (Authority; Non-Contravention), Section 5.8.9 (Intellectual Property), Section 5.15 (Brokers’ and Finders’ Fees), and Section 5.22.4 (Distribution of Merger Consideration).

1.1.122 “GAAP” shall mean United States generally accepted accounting principles.

1.1.123 “Government Official” shall mean (i) any official, officer, employee or representative of, or any Person acting in an official capacity for or on behalf of, any Governmental Entity, (ii) any political party or party official or candidate for political office, or (iii) any company, business, enterprise or other entity owned, in whole or in part, or controlled by any Person described in the foregoing clauses (i) or (ii) of this definition.

1.1.124 “Governmental Entity” shall mean any federal, state, municipal, foreign or other governmental body, department, commission, board, bureau, agency, court or instrumentality, domestic or foreign, or other entity exercising any executive, legislative, judicial, quasi-judicial, quasi-governmental, self-regulatory, Tax, regulatory or administrative function of government, including the FDA, the U.S. Federal Trade Commission, the U.S. Department of Justice, any applicable stock exchange and all foreign equivalents thereof.

1.1.125 “Holder Claim” has the meaning set forth in Section 9.3.2.

1.1.126 “Holder Indemnified Parties” has the meaning set forth in Section 9.2.

1.1.127 “HORIZON Study” shall mean the HORIZON Study (Protocol CP11-001) which is the pivotal clinical study in the United States evaluating the Hydrus Microstent implanted at the time of cataract surgery for the reduction of intraocular pressure, compared to cataract surgery alone.

1.1.128 “HSR Act” shall mean the Hart Scott Rodino Antitrust Improvements Act of 1976, as amended and the rules and regulations promulgated thereunder.

1.1.129 “IFRS” shall mean International Financial Reporting Standards.

1.1.130 “In-the-Money Option” shall mean a Company Option for which the portion of the Closing Payment payable in respect of a Company Common Stock underlying such Company Option exceeds the exercise price per Company Common Stock of such Company Option.

1.1.131 “Inbound Licenses” has the meaning set forth in Section 5.8.10.

1.1.132 “Indebtedness” shall mean, as to any Person, (i) the principal, accreted value, accrued and unpaid interest, prepayment and redemption premiums or penalties (if any), unpaid fees or expenses and other monetary obligations in respect of (A) indebtedness of such Person for borrowed money and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable; (ii) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable and other accrued current liabilities arising in the ordinary course of business (other than the current liability portion of any indebtedness for borrowed money)); (iii) all obligations of such Person under leases required to be capitalized in accordance with GAAP or IFRS, as applicable; (iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker’s acceptance or similar credit transaction; (v) all obligations of such Person under interest rate or currency swap transactions (valued at the termination value thereof); (vi) the liquidation value, accrued and unpaid dividends, prepayment or redemption premiums and penalties (if any), unpaid fees or expenses and other monetary obligations in respect of any redeemable preferred stock of such Person that is not converted at or prior to the Effective Time; (vii) for any or all of the deferred purchase price of property or services, including “earnout” or similar payments or noncompete payments owed or potentially owed by such Person; (viii) any Liability of the type described in the preceding clauses (i) through (vii) that such Person has guaranteed, that is recourse to such Person or any of its assets or that is otherwise its legal liability or that is secured in whole or in part by the assets of such Person; and (ix) any and all accrued interest, success fees, prepayment premiums, make whole premiums or penalties and fees or expenses associated with the prepayment of any Indebtedness of such Person.

1.1.133 “Indemnified Parties” has the meaning set forth in Section 9.2.

1.1.134 “Indemnity Cap” has the meaning set forth in Section 9.5.6.

1.1.135 “Indemnity Escrow Amount” shall mean an amount equal to \$[***].

1.1.136 “Indemnity Escrow Fund” shall mean, at any given time after the Closing, the funds remaining in one or more accounts in which the Escrow Agent has deposited the Indemnity Escrow Amount in accordance with the Escrow Agreement, including any amount of interest actually earned.

1.1.137 “Information Systems” has the meaning set forth in Section 5.8.22.

1.1.138 “Initial Company Disclosure Schedule” shall mean the Company Disclosure Schedule delivered on the Execution Date.

1.1.139 “Intellectual Property” shall mean (i) inventions and discoveries, whether patentable or not, and all invention disclosures, patents, patent applications and statutory invention registrations therefor, including divisions, continuations, continuations-in-part, renewals, extensions and reissues, (ii) trademarks, service marks, trade dress, logos, trade names, corporate names, domain names and other source identifiers and registrations and applications for registration thereof, (iii) copyrightable works, copyrights, Software (in source code and object code), databases, specifications and related items and registrations and applications for registration thereof, (iv) trade secrets under applicable Law, including confidential and proprietary information and know how, and (v) all proprietary rights in any of the foregoing. Intellectual Property shall include all Patents, Marks, Copyrights and Trade Secrets.

1.1.140 “Investment Agreements” shall mean, collectively, (i) that certain Third Amended and Restated Right of First Refusal and Co-Sale Agreement, by and among the Company, the Investors (as defined therein) and the Stockholders (as defined therein), dated January 6, 2017, (ii) that certain Fourth Amended and Restated Investors’ Rights Agreement, by and among the Company and the Investors (as defined therein), dated January 6, 2017, and (iii) that certain Sixth Amended and Restated Voting and Drag-

Along Agreement, by and among the Company and the Investors (as defined therein), dated January 6, 2017 (the “Voting Agreement”), each as may be amended or amended and restated from time to time.

1.1.141 “IP Special Representations” shall mean the representations and warranties of the Company set forth in Sections 5.8.1, 5.8.2, 5.8.3, 5.8.10, 5.8.11, 5.8.12 and 5.8.15 (Intellectual Property).

1.1.142 “IRS” shall mean the Internal Revenue Service.

1.1.143 “Law” shall mean any federal, state, provincial, county, municipal, local, multinational or foreign statute, treaty, law, common law, ordinance, code, rule or regulation of any Governmental Entity, including the rules, regulations and listing requirements of any applicable stock exchange or similar quasi-governmental or self-regulatory body.

1.1.144 “Leased Real Property” has the meaning set forth in Section 5.7.2.

1.1.145 “Leases” has the meaning set forth in Section 5.7.2.

1.1.146 “Letter of Transmittal” has the meaning set forth in Section 4.4.1.

1.1.147 “Liability” shall mean any direct or indirect liability, Indebtedness, claim, loss, damage, deficiency, obligation or responsibility, fixed or unfixed, liquidated or unliquidated, secured or unsecured, matured or unmatured, determined or determinable, accrued or unaccrued, absolute or contingent and whether in contract, tort, strict liability or otherwise, and including all costs and expenses relating thereto including all fees, disbursements and expenses of legal counsel, experts, engineers and Contract Workers and costs of investigation.

1.1.148 “Marks” shall mean all trademarks, service marks, trade names, service names, brand names, trade dress rights, logos, Internet domain names and corporate names and general intangibles of a like nature, together with the goodwill associated with any of the foregoing, and all applications, registrations and renewals thereof.

1.1.149 “Material Contract” has the meaning set forth in Section 5.14.3.

1.1.150 “Measurement Period” has the meaning set forth in Section 3.2.1.2.

1.1.151 “Medical Product” has the meaning set forth in Section 5.21.1.

1.1.152 “Merger” has the meaning set forth in the Recitals.

1.1.153 “Merger Certificate” has the meaning set forth in Section 2.3.

1.1.154 “Merger Sub” has the meaning set forth in the Preamble.

1.1.155 “Merger Sub Common Stock” shall mean the common stock, par value US\$0.01 per share, of the Merger Sub.

1.1.156 “MEWA” has the meaning set forth in Section 5.11.4.

1.1.157 “Milestone Payments” has the meaning set forth in Section 3.2.

1.1.158 “Milestones” has the meaning set forth in Section 3.2.

1.1.159 “Net Sales” shall mean the net sales recorded by the Parent or any of its Affiliates (including, following the Closing, the Relevant Companies) or licensees (which excludes distributors and wholesalers for which the Parent is liable for sales thereto) (collectively, the “Selling Party”) for any Product sold to Third Parties other than sublicensees as determined in accordance with the Parent’s Applicable Accounting Standards as consistently applied. The deductions booked on an accrual basis by the Parent and its Affiliates under its Applicable Accounting Standards to calculate the recorded net sales from gross sales include, without limitation, the following: [***]

1.1.160 “Net Sales Annual Report” has the meaning set forth in Section 3.2.2.2.

1.1.161 “Net Selling Price” has the meaning set forth in Section 1.1.159.13.

1.1.162 “Net Working Capital” has the meaning set forth in the Applicable Accounting Principles in Appendix II.

1.1.163 “Non-Company Products” has the meaning set forth in Section 1.1.159.13.

1.1.164 “Noncompetition Agreement” has the meaning set forth in the Recitals.

1.1.165 “Notice of Disagreement” has the meaning set forth in Section 3.5.2.

1.1.166 “Notified Body” shall mean an organization that has been appointed by the competent authorities of a European Union Member State to conduct conformity assessment procedures and verify the conformity of the manufacturer with the requirements of the Council Directive 93/42/EEC concerning medical devices.

1.1.167 “Option” has the meaning set forth in the Recitals.

1.1.168 “Option Exercise Date” has the meaning set forth in Section 2.1.4.

1.1.169 “Option Exercise Notice” has the meaning set forth in Section 2.1.4.

1.1.170 “Option Expiration Date” shall mean 11:59 p.m., Eastern Time (other than as may be extended pursuant to the terms of this Agreement), on the later of: [***]

1.1.171 “Option Period” shall mean the period commencing on the Execution Date and ending on the earlier to occur of (i) the Effective Time and (ii) the termination of this Agreement in accordance with Article 12.

1.1.172 “Option Price” shall mean \$[***].

1.1.173 “Order” shall mean any order, judgment, writ, assessment, injunction, judgment, award, decree, undertaking, stipulation, ruling or other requirement entered, issued, made or rendered by any court, administrative agency, arbitration tribunal or other Governmental Entity of competent jurisdiction.

1.1.174 “Ordinary Course Licenses” has the meaning set forth in Section 5.8.11.

1.1.175 “Ordinary Course of Business” means in the ordinary course of business of the Relevant Companies and consistent with past practices as of the Execution Date.

1.1.176 “Outside Date” has the meaning set forth in Section 12.1.7.

1.1.177 “Owned Intellectual Property” has the meaning set forth in Section 5.8.9.

1.1.178 “Parachute Payment Waiver” has the meaning set forth in Section 8.14.1.

1.1.179 “Parent” has the meaning set forth in the Preamble.

1.1.180 “Parent Affiliated Party” has the meaning set forth in Section 1.1.209.

1.1.181 “Parent Claim” has the meaning set forth in Section 9.3.1.

1.1.182 “Parent Confidential Information” has the meaning set forth in Section 8.1.1.

1.1.183 “Parent Indemnified Parties” has the meaning set forth in Section 9.1.

1.1.184 “Parent Material Adverse Effect” shall mean any circumstance, change, effect or occurrence that has a material adverse effect on the ability of the Parent or the Merger Sub to perform their respective obligations under, or to consummate in any material respect any of the transactions contemplated by, this Agreement or any other Transaction Document.

1.1.185 “Parent Representation Termination Date” has the meaning set forth in Section 9.4.4.

1.1.186 “Party” shall mean the Parent, the Merger Sub, the Company, or the Stockholder Representative, individually, as the context so requires. “Parties” shall mean the Parent, the Merger Sub, the Company and the Stockholder Representative collectively.

1.1.187 “Patents” shall mean all patents and applications therefor, including continuations, divisionals, continuations-in-part, reexaminations or reissues of patent applications and patents issuing thereon, and all similar rights arising under the Laws of any jurisdiction.

1.1.188 “Payment Spreadsheet” shall mean with respect to any payment of any portion of Total Merger Consideration, a spreadsheet setting forth (i) the name, address, email address (to the extent known), tax identification number (to the extent known), employment status (i.e., whether current or former employee or Contract Worker), if applicable, and details of the account to which such payments are to be made for each Company Holder (to the extent known), the respective portion (expressed on a percentage basis and rounded to four decimal places) of such payment of Total Merger Consideration payable to each such Company Holder; (ii) each Transaction Expense payable in connection with, or contemporaneous with, the payment of such portion of Total Merger Consideration to which such Payment Spreadsheet relates, including copies of final invoices for such Transaction Expenses (if available), wire transfer instructions or mailing address for payment to be made and, in the event that any Transaction Expense is subject to withholding and/or reporting as compensation, (a) the amount that is compensation income, (b) the amount of the corresponding Transaction Payroll Taxes required to be paid in respect of payments made at or in connection with such payment and (c) whether the amount is reportable on an IRS Form W-2 or IRS Form 1099-MISC; and (iii) in the event that any payment made to a Company Holder is subject to withholding and/or reporting as compensation, the Payment Spreadsheet shall indicate, with respect to each such Company Holder, with respect to the applicable portion of the Total Merger Consideration, (1) the amount that is compensation income, (2) the amount of the corresponding Transaction Payroll Taxes required to be paid in respect of such payment and (3) whether the amount is reportable on an IRS Form W-2 or IRS Form 1099-MISC.

1.1.189 “Payments Administration Agreement” shall mean, subject to Section 8.23, a Payments Administration Agreement, to be dated as of the Closing Date, by and among the Payments Administrator, the Parent and the Stockholder Representative, substantially in the form attached hereto as Exhibit C.

1.1.190 “Payments Administrator” has the meaning set forth in Section 4.1.3.

1.1.191 “Permitted Encumbrances” shall mean (i) mechanics’, carriers’, workers’ or repairmen’s Encumbrances arising in the Ordinary Course of Business and securing payments or obligations that are not delinquent; (ii) Encumbrances for Taxes, assessments and other governmental charges that are not due and payable or that are being contested in good faith; (iii) with respect to real property, Encumbrances that arise under zoning, land use and other similar Laws and other minor imperfections of title or Encumbrances, if any, which do not adversely impair the marketability, value or use of the property subject thereto as used as of the Execution Date; and (iv) Encumbrances that arise under leasing arrangements relating to equipment or other personal property transferred, in each case, which do not adversely impair the marketability, value, or use of the property subject thereto as of the Execution Date.

1.1.192 “Permitted Financing” has the meaning set forth in Section 7.1.2.7.

1.1.193 “Permitted Transfer” means (i) a transfer on death by will or intestacy; (ii) a transfer by instrument to an *inter vivos* or testamentary trust for beneficiaries upon the death of the trustee; (iii) a transfer made pursuant to a court order of a court of competent jurisdiction (including in connection with divorce, bankruptcy or liquidation); (iv) a transfer by a partnership or limited liability company through a distribution to its partners or members, as applicable; or (v) a transfer made by operation of law (including a consolidation or merger) or as in connection with the dissolution, liquidation or termination of any corporation, limited liability company, partnership or other entity.

1.1.194 “Person” shall mean any individual, corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any limited liability company or joint stock company), firm or other enterprise, association, organization, entity or Governmental Entity.

1.1.195 “Post-Closing Adjustment Amount” has the meaning set forth in Section 3.5.3.

1.1.196 “Post-Closing Payment” shall mean the payments set forth in Sections 4.3.2.2 through 4.3.2.5.

1.1.197 “Post-Closing Representation” has the meaning set forth in Section 13.16.

1.1.198 “Post-Closing Statement” has the meaning set forth in Section 3.5.1.

1.1.199 “Pre-Closing Tax Return” shall mean a Tax Return of a Relevant Company for any taxable period ending on or before the Closing Date that is due before the Closing Date. For the avoidance of doubt, Pre-Closing Tax Returns do not include Tax Returns relating to a Straddle Period.

1.1.200 “Pre-Closing Taxes” shall mean all Taxes of the Relevant Companies (or any predecessors thereof) (i) for any taxable period ending on or before the Closing Date, and (ii) for the portion of any Straddle Period ending at the end of the Closing Date (determined as provided in Section 8.7.3), including any Taxes (regardless of whether paid by installment) imposed under Section 965 of the Code, as amended by the Tax Cuts and Jobs Acts. For purposes of this definition and the calculation of any indemnity, any interest, penalties or additions to tax accruing after the Closing Date with respect to a liability for Taxes for which the Company Holders indemnify the Parent or the Company shall be deemed to be attributable to a taxable period ending on or before the Closing Date.

1.1.201 “Pro Forma Closing Payment Spreadsheet” has the meaning set forth in Section 8.22.

1.1.202 “Product” shall mean the Hydrus Microstent and all predecessors thereof.

1.1.203 “Registered” with respect to any item of Intellectual Property, shall mean such Intellectual Property to the extent issued by, filed with or recorded by any Governmental Entity.

1.1.204 “Regulatory Approval” shall mean (i) in the United States, approval or clearance granted by the FDA, as evidenced by an approval order issued by the FDA of a premarket approval application or premarket approval supplement or, with respect to the Product, clearance of a premarket notification submission under Section 510(k) of the FDCA, or (ii) in the European Union, the Company’s ability to obtain a CE Mark of Conformity from a Notified Body and to affix the CE Mark of Conformity to the Product in accordance with applicable Law related to medical devices in the European Union, in each case, to market and sell any Product in the United States or the European Union, respectively, for at least one indication. For the avoidance of doubt, an “approvable letter” or similar communication published by the FDA shall not constitute approval for purposes of the foregoing.

1.1.205 “Regulatory Filings” has the meaning set forth in Section 8.1.4.

1.1.206 “Related Party” has the meaning set forth in Section 5.18.

1.1.207 “Release” shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposal, release or migration into, through or upon the indoor or outdoor environment.

1.1.208 “Relevant Companies” shall mean the Company and all Company Subsidiaries.

1.1.209 “Remedial Action” shall mean any agreement or commitment by the Parent, the Company, the Surviving Corporation or any of their respective Affiliates (each, a “Parent Affiliated Party”) or any Order (i) obligating or requiring any Parent Affiliated Party to sell, divest, license, lease, hold separate or otherwise transfer or convey any material rights, assets, businesses, products (including any of the foregoing constituting or relating to any Product) of any Parent Affiliated Party; (ii) limiting or restricting in any material

respect the freedom or discretion of any Parent Affiliated Party to operate, conduct, manage or otherwise deal with as it sees fit, any of the rights, assets, businesses or products (including any of the foregoing related to any Product) of any Parent Affiliated Party; or (iii) prohibiting, preventing or restraining any of the transactions contemplated by this Agreement or the other Transaction Documents.

1.1.210 “Representatives” shall mean, when used with respect to a Person, the directors, officers, employees, Affiliates, Contract Workers, accountants, legal counsel, investment bankers, financial advisors, agents and other representatives of such Person and of any Affiliate of such Person.

1.1.211 “Required Stockholder Vote” shall mean the affirmative vote or written consent of (i) the holders of a majority of the outstanding shares of Company Capital Series C Preferred Stock, voting together as a single class on an as converted to Company Common Stock basis; (ii) the holders of a majority of the outstanding shares of Series C Preferred Stock, voting together as a single class; and (iii) the holders of a majority of the outstanding shares of Company Preferred Stock, voting together as a single class (on an as-converted-to-Company Common Stock basis); provided, that none of the foregoing thresholds shall be met through the exercise of any “drag-along” or similar right set forth in the Voting Agreement.

1.1.212 “Securities Act” has the meaning set forth in Section 5.2.4.

1.1.213 “Selling Party” has the meaning set forth in Section 1.1.159.

1.1.214 “Series A Preferred Stock” shall mean the Series A preferred stock, US\$0.001 par value per share, of the Company.

1.1.215 “Series B Preferred Stock” shall mean the Series B preferred stock, US\$0.001 par value per share, of the Company.

1.1.216 “Series C Preferred Stock” shall mean the Series C preferred stock, US\$0.001 par value per share, of the Company.

1.1.217 “Software” shall mean any and all (i) computer programs, including any and all software implementations of algorithms, models and methodologies, whether in source code or object code; (ii) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise; (iii) descriptions, flow-charts and other work product used to design, plan, organize and develop any of the foregoing, screens, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons; and (iv) all documentation including user manuals and other training documentation related to any of the foregoing.

1.1.218 “Stockholder Representative” has the meaning set forth in Section 10.1.

1.1.219 “Stockholder Representative Expenses” has the meaning set forth in Section 10.4.2.

1.1.220 “Stockholder Representative Reimbursement Fund” shall mean an amount equal to \$[***], which amount shall be held by the Stockholder Representative and shall be available for reimbursement of the costs, fees and expenses of the Stockholder Representative as provided in Article 10.

1.1.221 “Stockholder Vote Notices” has the meaning set forth in Section 12.1.3.

1.1.222 “Stockholder Written Consent” has the meaning set forth in the Recitals.

1.1.223 “Straddle Period” has the meaning set forth in Section 8.7.3.

1.1.224 “Standalone FDA Approval Milestone” shall mean Regulatory Approval in the United States of the Hydrus Microstent for stand-alone treatment of glaucoma not in conjunction with cataract surgery.

1.1.225 “Subsidiary” when used with respect to any Person shall mean any other Person (i) in which such Person directly or indirectly owns 50% or more of the aggregate equity interests of such other Person, whether voting or non-voting, or (ii) of which such Person controls the ability to appoint, remove or

replace a general partner or managing member, 50% or more of the board of directors or board of managers or Persons conducting a similar function of such other Person.

1.1.226 “Support Agreement” shall mean the Support Agreement by and among the Parent, on the one hand, and each applicable Company Holder, on the other hand, in the form attached hereto as Exhibit D.

1.1.227 “Surviving Corporation” has the meaning set forth in Section 2.2.

1.1.228 “Target Working Capital” shall mean the greater of (a) the actual Net Working Capital as of the Closing, (b) \$0 and (c) the three-month average Net Working Capital calculated using the Net Working Capital as set forth in the month-end balance sheets of the Company for each of the three months ended prior to the Closing Date.

1.1.229 “Tax” or “Taxes” shall mean any and all taxes, whether federal, state, local or foreign, including without limitation income, gross receipts, license, payroll, employment, excise, severance, stamp, stamp duty, stamp duty land tax, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, registration, escheat, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalties, fines, additions to tax or additional amounts imposed thereon by any Governmental Entity.

1.1.230 “Tax Contest” has the meaning set forth in Section 8.7.6.

1.1.231 “Tax Return” shall mean any return, form, declaration, report, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

1.1.232 “Terminating Stockholder Representative” has the meaning set forth in Section 10.2.

1.1.233 “Third Party” shall mean any Person other than the Parent, the Merger Sub, the Company, the Surviving Corporation or any of their Affiliates.

1.1.234 “Third Party Claim” has the meaning set forth in Section 9.8.1.

1.1.235 “Third Party Claim Notice” has the meaning set forth in Section 9.8.1.

1.1.236 “Total Closing Consideration” shall mean the Enterprise Value, plus the Aggregate Exercise Price plus each of (i) Closing Cash, and (ii) the amount, if any, by which Net Working Capital exceeds Target Working Capital, minus each of (i) Closing Indebtedness, (ii) Transaction Expenses, and (iii) the amount, if any, by which Target Working Capital exceeds Net Working Capital, in each case as adjusted pursuant to Section 3.4 and 3.5.

1.1.237 “Total Merger Consideration” shall mean, collectively, the Total Closing Consideration and the Milestone Payments (if any).

1.1.238 “Trade Secrets” shall mean discoveries, concepts, ideas, research and development, know-how, formulae, inventions, compositions, manufacturing and production processes and techniques, technical data, procedures, designs, drawings, specifications, databases, and other proprietary or Confidential Information, including customer lists, supplier lists, pricing and cost information, and business and marketing plans and proposals, in each case excluding any rights in respect of any of the foregoing that comprise Copyrights or Patents (other than unpublished patent applications).

1.1.239 “Transaction Documents” shall mean this Agreement, the Merger Certificate and each other agreement, document, certificate or instrument required to be executed and delivered in connection with this Agreement, the Merger Certificate or the closing of the transactions contemplated herein.

1.1.240 “Transaction Expenses” shall mean, except as otherwise expressly set forth in this Agreement, the aggregate amount of all out-of-pocket costs, fees and expenses, incurred by or on behalf of, or

paid or to be paid by, the Company in connection with the process of or as a result of selling the Company or otherwise relating to or resulting from the negotiation, preparation or execution of this Agreement or the other Transaction Documents or the performance or consummation of the transactions contemplated hereby or thereby, including (i) subject to Section 8.3.6, any fees and expenses associated with obtaining necessary or appropriate waivers, consents or approvals of any Governmental Entity or Third Parties on behalf of the Company; (ii) any fees or expenses associated with obtaining the release and termination of any Encumbrances; (iii) all brokers' or finders' fees; (iv) fees and expenses of counsel, advisors, Contract Workers, investment bankers, accountants, auditors and experts; (v) the cost of the prepaid "tail" policy to be purchased pursuant to Section 8.4.4; (vi) any amount that becomes payable to any employee as a result of the transactions contemplated hereby or by the other Transaction Documents, including, without limitation, any change of control, retention, success or transaction payments, fees or bonuses, or severance or severance related costs triggered prior to or as a result of the Closing; (vii) any amount that becomes due to any Third Party (including without limitation any "rebates" or other amounts that become due to the Company's distributors) as a result of the transactions contemplated hereby; (viii) expenses associated with the preparation of Tax Returns applicable to taxable periods that end on or prior to the Closing Date (but are due after the Closing Date), and (ix) all Transaction Payroll Taxes.

1.1.241 "Transaction Expenses Schedule" has the meaning set forth in Section 4.1.1.1.

1.1.242 "Transaction Payroll Taxes" shall mean the employer portion of any payroll, employment or similar Taxes incurred with respect to any bonuses, severance, exercises or cash-outs of options or other compensatory payments made in connection with the transactions contemplated by this Agreement, whether payable by the Parent, the Company or their Affiliates.

1.1.243 "Transfer Taxes" shall mean any transfer, sales, use, stamp, documentary, registration, conveyance, recording, or other similar Tax or governmental fee (and any interest, penalty, or addition with respect thereto) payable as a result of the consummation of the transactions contemplated hereby.

1.1.244 "Unrequested Updated Disclosure Schedule" has the meaning set forth in Section 2.1.4.

1.1.245 "Updated Disclosure Schedule" shall mean at any point in time, a draft of the Company Disclosure Schedule as may be updated in accordance with Section 2.1.2 hereof to contain disclosures and exceptions to the representations and warranties made by the Company in Article 5 as if such representations and warranties were made as of the date of delivery of such Updated Disclosure Schedule and supplied to the Parent by the Company. Notwithstanding anything in this Agreement to the contrary, (i) any Updated Disclosure Schedule may only reflect changes necessary to disclose facts, events or circumstances that arose or occurred following the Execution Date, (ii) any Updated Disclosure Schedule may not include any facts, events or circumstances that were Known to the Company prior to delivery of any prior Updated Disclosure Schedule, (iii) any Updated Disclosure Schedule shall not change the nature or scope of the applicable representations and warranties by effectively amending or modifying the language contained in such representations and warranties, as opposed to merely listing exceptions thereto or updating lists required by such representations and warranties, and shall not contain any disclaimers of or broad exceptions, (iv) any Updated Disclosure Schedule shall have been prepared in good faith in an attempt to accurately and specifically state, as of the date of delivery of such Updated Disclosure Schedule, any exceptions to, or other information required to be disclosed pursuant to, the representations and warranties of the Company contained in this Agreement and (v) any Updated Disclosure Schedule shall not include disclosure of any Liabilities arising as a result of any breach of any covenant or agreement of the Company in this Agreement. Each Updated Disclosure Schedule shall be structured in substantially the form of the Initial Company Disclosure Schedule and shall be in a form customary for transactions of the type contemplated by this Agreement. Any Updated Disclosure Schedule shall be subject to the provisions of Section 13.9.1.

1.1.246 "Voting Agreement" has the meaning set forth in Section 1.1.140.

1.2 Rules of Construction. References in this Agreement to gender include references to all genders, and references to the singular include references to the plural and vice versa. The words "include," "includes" and "including" when used in this Agreement shall be deemed to be followed by the phrase "without limitation." The words "to the extent" when used in this Agreement shall be deemed to be followed by the phrase "and only to the extent." Unless the context otherwise requires, references in this Agreement to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits

and Schedules to, this Agreement. Unless the context otherwise requires, the words “hereof,” “hereby” and “herein” and words of similar meaning when used in this Agreement refer to this Agreement in its entirety and not to any particular Article, Section or provision of this Agreement. The table of contents and headings contained in this Agreement and the Company Disclosure Schedule are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. References in this Agreement to dollars (\$) shall be to United States dollars and to cash shall be to cash in U.S. dollars.

ARTICLE 2

THE OPTION; MERGER; CLOSING

2.1 The Option.

2.1.1 Option Price. In consideration for the Option and so long as this Agreement remains in effect, the Parent shall within five Business Days following delivery by the Company to the Parent of the Stockholder Vote Notices, pay to the Company a one-time, non-refundable amount equal to the Option Price, via wire transfer of immediately available funds to an account designated in writing by the Company no later than one Business Day following the Execution Date. Nothing in this Agreement shall be deemed to require the Parent to exercise the Option and consummate the Merger, which shall be within the Parent’s sole and absolute discretion. The Company shall use the proceeds from the Option Price only for the operational needs of the Company.

2.1.2 Updated Information.

2.1.2.1 Upon written request from the Parent to the Company (the date of each such request, a “Data Request Date”), the Company shall within 15 Business Days following a Data Request Date, deliver to the Parent: (i) a data package with respect to the Products, including all clinical and pre-clinical study reports, analyses, top-line and raw data, material reports received from any contract research organizations and presentations, in each case, whether prepared by, for or on behalf of the Company; (ii) copies of all regulatory filings and written communications (or summaries of material oral communications) with any Governmental Entity relevant to any submission to any Governmental Entity pertaining to any Product; (iii) all safety, efficacy and adverse event data, (iv) such other documents, information and other materials reasonably requested by the Parent in connection with its due diligence investigation or customarily provided for due diligence purposes in a merger or acquisition transaction of the nature contemplated by this Agreement (including with respect to manufacturing information, employee benefits, employment, taxes, material contracts, intellectual property and any changes to the business of the Company or the Products since the Execution Date); (v) the Updated Disclosure Schedule; (vi) an updated draft of Schedule 11.3.11 (if applicable); and (vii) the percentage of Company Capital Stock, on an as converted to Company Common Stock basis, that shall constitute Dissenting Shares, if any (the “Due Diligence Package”).

2.1.2.2 The Parent may request the Due Diligence Package at any time, and from time to time prior to the Option Expiration Date, provided that the Parent shall not be entitled to any Due Diligence Package more often than once per calendar quarter. Upon the delivery of any Due Diligence Package, the Company shall provide a redline to show the changes from the Initial Company Disclosure Schedule or prior Updated Disclosure Schedule, as applicable.

2.1.2.3 From time to time following the delivery of the Due Diligence Package and prior to the Option Expiration Date, the Parent may provide the Company with written notice (i) identifying data or information that is reasonably available to the Company, its contractors or agents and that the Parent reasonably believes should have been included in the Due Diligence Package or would otherwise be useful in order for the Parent to evaluate the Products and whether it wishes to exercise the Option or (ii) of any comments to the Updated Disclosure Schedule included in such Due Diligence Package (each, a “Comment Notice”). The Company shall use commercially reasonable efforts to provide any data or information requested in such Comment Notice, and/or shall consider in good faith revising the Updated Disclosure Schedule to take in to account any comments provided by the Parent in any such Comment Notice, in each case, as promptly as practicable, and in any event within 15 days (the “Comment Response Period”) after receipt of any such Comment Notice. If the Company includes disclosures in the Updated Disclosure Schedule that are inconsistent with the definition of “Updated Disclosure Schedule”, any such disclosures shall be deemed to be for informational purposes only and shall be disregarded for the purpose of determining the

accuracy of any representations and warranties made by the Company or determining whether any of the conditions set forth in Article 11 have been satisfied.

2.1.2.4 If the Parent submits a Comment Notice to the Company not less than 16 days prior to the Option Expiration Date, then, if the Company fails to respond to such Comment Notice within the Comment Response Period, the Option Expiration Date shall be extended by a number of days equal to the number of days between the expiration of any such Comment Response Period, and the date the Company fully and completely responds to any such Comment Notice; provided, however, that the Company's failure to provide any data or information requested in such Comment Notice following use of commercially reasonable efforts to do so or the Company's decision to not make changes to the Updated Disclosure Schedule (after considering in good faith Parent's comments pursuant to Section 2.1.2.3) based upon the Parent's comments in the Comment Notice, subject to the Company's good faith compliance with this Section 2.1.2, shall not be deemed to be a failure by the Company to fully and completely respond to any such Comment Notice.

2.1.2.5 Following the receipt by the Company of any Comment Notice from the Parent, the Parent and the Company shall use good faith efforts (including, as necessary, involving discussions of senior officers of such Persons) to resolve any disputes with respect thereto. The then most recent Due Diligence Package (as finally determined in accordance with the procedures set forth in this Section 2.1.2) shall constitute the "final" Due Diligence Package and the "final" Company Disclosure Schedule for purposes of this Agreement.

2.1.2.6 The documents required to be delivered by the Company to Parent as part of the Due Diligence Package, or as part of the response to any Comment Notice, shall be provided by the Company to the Parent in the Data Room with access to print and download.

2.1.3 Option Extension. The Parent shall be permitted to extend the Option Expiration Date (as may have been extended pursuant to this Section 2.1.3 or Section 2.1.2.4) by up to three consecutive months in the aggregate, in one or more whole month increments, by delivering one or more written notices to the Company (each an "Extension Notice") prior to the then Option Expiration Date (as may be extended pursuant to this Section 2.1.3 or Section 2.1.2.4). Within five Business Days following the delivery by Parent to the Company of any Extension Notice, the Parent shall pay to the Company, by wire transfer of immediately available funds, an amount equal to \$[***] (an "Extension Payment") for each month that the Option Expiration Date is to be extended as set forth in the applicable Extension Notice.

2.1.4 Option Exercise. The Parent shall have the exclusive right at any time prior to the Option Expiration Date (as may be extended pursuant to Section 2.1.2.4 or Section 2.1.3) to elect, in its sole discretion, to exercise the Option, by delivery to the Company of a written notice of such election in the form attached hereto as Exhibit E (an "Option Exercise Notice" and, the date of such Option Exercise Notice, the "Option Exercise Date"). In the event the Parent delivers an Option Exercise Notice to the Company prior to the Company delivering any Updated Disclosure Schedule to the Parent, the Company shall have the option to deliver to the Parent, within fifteen (15) Business Days following the Parent's delivery of the Option Exercise Notice, an Updated Disclosure Schedule. If Parent has not delivered an Option Exercise Notice within ninety (90) days following the Company's delivery to the Parent of its most recently delivered Updated Disclosure Schedule, the Company may deliver an additional Updated Disclosure Schedule (an "Unrequested Updated Disclosure Schedule"); provided, however, that if the Company delivers an Unrequested Updated Disclosure Schedule and there are less than thirty (30) days prior to the Option Expiration Date, the Option Expiration Date shall be extended to the date that is thirty (30) days from the date the Unrequested Updated Disclosure Schedule is delivered.

2.2 The Merger. Upon the terms and subject to the conditions of this Agreement and the applicable provisions of Delaware Law, at the Effective Time (as defined below), the Merger Sub shall be merged with and into the Company, the separate corporate existence of the Merger Sub shall cease and the Company shall continue as the surviving corporation in the Merger (the "Surviving Corporation").

2.3 Effective Time. Unless otherwise mutually agreed in writing by the Company and the Parent, the closing of the Merger (the "Closing") shall take place at the offices of Hogan Lovells US LLP, 875 Third Avenue, New York, New York 10022, at 10 a.m. Eastern time no later than five Business Days following the satisfaction or waiver of the conditions set forth in Article 11, other than such conditions that by their nature are to be satisfied at the Closing but subject to the satisfaction or waiver of such conditions (the date of the Closing, the "Closing Date"). Subject to the provisions of this Agreement, at the Closing and

contemporaneous with the Parent making the payment to the Payments Administrator pursuant to Section 4.1.3 for distribution to the Company Holders in accordance with the Payment Spreadsheet delivered in connection therewith, the Parent and the Company shall cause a certificate of merger in the form attached hereto as Exhibit F hereto to be filed with the Secretary of State of the State of Delaware, which shall be executed in accordance with, the relevant provisions of Delaware Law (the “Merger Certificate”). The Merger shall become effective at such time as the Merger Certificate has been duly filed with the Secretary of State of the State of Delaware or at such other time expressly specified in the Merger Certificate (the “Effective Time”).

2.4 Effect of the Merger. Unless otherwise agreed to by the Parent and the Company prior to the Closing, at the Effective Time, the effect of the Merger shall be as provided in this Agreement, the Merger Certificate and the applicable provisions of Delaware Law.

2.5 Certificate of Incorporation; Bylaws. At the Effective Time:

2.5.1 The certificate of incorporation of the Surviving Corporation shall be amended and restated in the form attached hereto as Exhibit G.

2.5.2 The bylaws of the Surviving Corporation shall be amended and restated to read the same as the bylaws of the Merger Sub.

2.6 Directors and Officers. At the Effective Time, the initial directors and officers of the Surviving Corporation shall be the directors and officers of the Merger Sub.

2.7 Transfers

. At the Effective Time, the stock transfer books of the Company shall be closed and thereafter there shall be no further transfers on the stock transfer books of the Company of the Company Capital Stock or Company Options that were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation for transfer, they shall be cancelled and exchanged as provided in Article 4 and the applicable provisions of the Payments Administration Agreement.

ARTICLE 3 TOTAL MERGER CONSIDERATION

3.1 Total Merger Consideration. Subject to the terms and conditions in this Agreement, in consideration of the Merger, at the Closing, the Parent shall pay an amount of up to the Total Merger Consideration, in accordance with Article 4 and the applicable provisions of the Payments Administration Agreement.

3.2 Milestones.

3.2.1 Milestone Payments. Subject to (a) the limitation set forth in Section 3.2.3, (b) the Parent’s right to offset set forth in Section 9.6, and (c) the Stockholder Representative’s rights set forth in Article 10, the Parent shall make the applicable payments as described below (the “Milestone Payments”) to the Payments Administrator for distribution to the Company Holders in accordance with the Payment Spreadsheet delivered in connection therewith, upon the achievement of the respective events described below (collectively, the “Milestones”), in each case in accordance with the notice and payment procedures set forth in Section 3.2.2:

3.2.1.1 \$[***] upon achievement prior to the eighth anniversary of the Closing Date of the Standalone FDA Approval Milestone; and

3.2.1.2 the following portion of Net Sales with respect to the Calendar Years 2020-2024 (the “Measurement Period”), as set forth below:

<u>Calendar Year</u>	<u>Portion of Revenue</u>
2020	[***]% of Net Sales for Calendar Year 2020 in excess of \$[***] million
2021	[***]% of Net Sales for Calendar Year 2021 in excess of \$[***] million
2022	[***]% of Net Sales for Calendar Year 2022 in excess of \$[***] million
2023	[***]% of Net Sales for Calendar Year 2023 in excess of \$[***] million
2024	[***]% of Net Sales for Calendar Year 2024 in excess of \$[***] million

For the avoidance of doubt, no Milestone Payment shall be payable more than once. Notwithstanding anything herein to the contrary, the Parent may reduce any Milestone Payment by the amount of any Transaction Expenses arising as a result of such Milestone Payment. Subject to Section 3.2.4, the development, manufacture and commercialization of Products shall be in the sole discretion of the Parent and the Surviving Corporation.

3.2.2 Notice and Payment of Milestone Payments.

3.2.2.1 Within 20 days after the achievement of the Standalone FDA Approval Milestone, the Parent shall provide notice to the Stockholder Representative that such Milestone has been achieved.

3.2.2.2 No later than 90 days after the end of each of Calendar Years 2020-2024, the Parent shall provide the Stockholder Representative with a report (including reasonable supporting information) calculating Net Sales for such Calendar Year (each, a “Net Sales Annual Report”), which shall include the Parent’s determination as to whether or not any Milestone Payment is payable for the applicable Calendar Year in respect of the achievement of any Milestone set forth in Section 3.2.1.2.

3.2.2.3 Within 30 days after delivery to the Stockholder Representative of any Net Sales Annual Report, upon the written request of the Stockholder Representative, the Stockholder Representative or its designee(s) shall be entitled to meet with a representative of the Parent at a mutually agreed-upon time and location to clarify questions that the Stockholder Representative may have in relation to the content of such Net Sales Annual Report; provided, that the Stockholder Representative shall not request such meetings, and the Parent shall have no obligation to attend any such meetings, more than one time during any Calendar Year.

3.2.2.4 From the Closing through the end of the Measurement Period, the Parent and the Surviving Corporation shall keep complete, true and accurate books and records in accordance with its Applicable Accounting Standards in relation to Net Sales for at least three years following the Calendar Year to which they pertain. The Stockholder Representative may, upon written request, cause an internationally-recognized independent accounting firm (the “Auditor”), which is reasonably acceptable to the Parent, to inspect the relevant records to verify the Net Sales with respect to any Calendar Year during the Measurement Period. Before beginning its audit, the Auditor shall execute a confidentiality agreement reasonably acceptable to the Parent by which the Auditor agrees to keep confidential all information received during the audit. The Auditor shall have the right to disclose to the Stockholder Representative only its conclusions regarding any payments owed under this Agreement. The Parent and the Surviving Corporation shall make their records available for inspection by the Auditor during regular business hours at such place or places where such records are customarily kept, upon receipt of reasonable advance notice from the Stockholder Representative. The records shall be reviewed solely to verify the accuracy of the Milestone Payments under this Agreement.

Such inspection right shall not be exercised more than once in any Calendar Year and not more frequently than once with respect to records covering any specific Calendar Year. In addition, the Stockholder Representative shall only be entitled to audit the books and records of the Parent and the Surviving Corporation for the two Calendar Years prior to the Calendar Year in which the audit request is made. The Stockholder Representative agrees to hold in strict confidence all information received and all information learned in the course of any audit or inspection, except to the extent necessary to enforce its rights under this Agreement or to the extent required to comply with any applicable Law, provided, that the foregoing shall not limit the Stockholder Representative's ability to share such information with its employees, advisors and consultants and Company Holders, in each case who have a need to know such information, provided, that (a) the Stockholder Representative can demonstrate that such persons are subject to confidentiality obligations with respect to such information, or (b) such persons have entered into a confidentiality agreement, in each case, reasonably acceptable to the Parent. The Auditor shall provide a draft of its audit report and its basis for any determination to the Parent at the time such report is provided to the Stockholder Representative before it is considered final. In the event that the final result of the inspection reveals an underpayment, the Parent shall pay or cause to be paid the underpaid amount promptly to the Company Holders. The Stockholder Representative (solely on behalf of the Company Holders) shall pay for such inspections, as well as its expenses associated with enforcing its rights with respect to any payments hereunder, provided, however, that (A) if (1) the Parent determined that no Milestone Payment was payable pursuant to Section 3.2.2.2 for any given Calendar Year within the Measurement Period, and (2) the Auditor determines that a Milestone Payment should have been paid with respect to such Calendar Year, then the fees and expenses charged by the Auditor in respect of the audit for such Calendar Year shall be paid by the Parent, and (B) if (1) the Parent determined that a Milestone Payment was payable pursuant to Section 3.2.2.2 for any given Calendar Year within the Measurement Period, and (2) the Auditor determines that the amount of the Milestone Payment that should have been (or should be) paid by the Parent in respect of such Calendar Year pursuant to this Section 3.2.2.4 exceeds the amount determined by the Parent to be due and payable in respect of such Calendar Year by more than 5%, then the fees and expenses charged by the Auditor in respect of the audit for such Calendar Year shall be paid by the Parent.

3.2.2.5 Following either (A) delivery by the Parent of written notice that any Milestone has been achieved, including any Net Sales Annual Report, or (B) the determination by the Auditor that any Milestone has been achieved pursuant to Section 3.2.2.4, the Stockholder Representative shall deliver a written notice (together with an updated Payment Spreadsheet) to the Parent for the applicable amount payable in connection with the occurrence of such event pursuant to the terms of this Agreement, and the Parent shall, within 30 days of receiving such notice, pay by wire transfer of immediately available funds such amount (less any applicable Transaction Expenses arising as a result of such Milestone Payment, and less any applicable amounts set off, deducted or retained in accordance with Section 9.6) to the Payments Administrator for distribution to the Company Holders in accordance with the updated Payment Spreadsheet delivered pursuant to this Section 3.2.2.5. Notwithstanding any other provision of this Agreement, if the Standalone FDA Approval Milestone is achieved prior to the Closing, the Parent shall not be obligated to pay the applicable amount payable in connection the achievement of such Milestone unless and until the Effective Time occurs, in which case such payment will be payable at the Closing in addition to the Closing Payment.

3.2.2.6 The right of the Company Holders to receive the Milestone Payments (a) is solely a contractual right and will not be evidenced by a certificate, and does not constitute a security or other instrument, (b) may not be sold, assigned, transferred, pledged, encumbered or in any other manner transferred or disposed of, in whole or in part, other than upon written notice to the Parent and the Stockholder Representative pursuant to a Permitted Transfer, and (c) does not represent any equity or ownership interest in the Parent or in any Relevant Company or any of their respective Affiliates.

3.2.3 Limitation on Post-Closing Payments. In no event will the aggregate amounts paid by the Parent pursuant to Section 3.2.1.2 exceed \$[***].

3.2.4 Additional Milestone Matters. From the Closing through the end of the Measurement Period, (i) the Parent shall not, and shall cause each of the Surviving Corporation and their respective Affiliates not to, directly or indirectly, take any action or fail to take any action the primary intent of which is to prevent or reduce the earning of the Milestone Payments, and (ii) neither the Parent nor the Surviving Corporation shall transfer, sell, license, convey or dispose of all or substantially all of the Products or the commercial rights therein other than to Affiliates of the Parent or the Surviving Corporation or to Third Parties that expressly agree to be bound by the obligation to pay the Milestone Payments on the terms and conditions set forth in this Agreement (including the right to offsets hereunder), provided, that the Parent shall not be released from liability for such obligations.

3.3 Withholding.

3.3.1 The Parent and the Surviving Corporation shall be entitled to deduct and withhold (or cause to be deducted or withheld) from any amounts otherwise payable pursuant to this Agreement such amounts as are required to be deducted and withheld with respect to the making of such payments under the provisions of any applicable Law relating to Taxes. Any such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made.

3.3.2 Notwithstanding anything herein to the contrary, all payments or distributions in respect of Company Options and Company Restricted Shares held by employees of the Company shall be paid to the Payments Administrator for distribution to the holders thereof in accordance with the Payment Spreadsheet delivered in connection therewith, net of any required withholding Taxes.

3.4 Pre-Closing Merger Consideration Adjustment.

3.4.1 At least 10 Business Days prior to the Closing Date, the Company shall deliver to the Parent initial drafts of the Estimated Closing Date Balance Sheet and Estimate Statement referenced in Section 3.4.2 below (which shall be updated when delivered pursuant to Section 3.4.2) and include related supporting schedules and calculations. The Company shall consider in good faith any of the Parent's comments to the content of the Estimated Closing Date Balance Sheet and Estimate Statement delivered pursuant to this Section 3.4.1.

3.4.2 At least four Business Days prior to the Closing Date, the Company shall deliver to the Parent a balance sheet of the Company as of immediately prior to the Effective Time (the "Estimated Closing Date Balance Sheet") and a statement certified by the Company's chief financial officer in his capacity as such (the "Estimate Statement") containing the Company's good faith estimate of each of: (i) Net Working Capital calculated as of immediately prior to the Effective Time and without giving effect to any of the transactions contemplated hereby (the "Estimated Working Capital"), (ii) the Closing Cash (the "Estimated Closing Cash"), (iii) the Closing Indebtedness (the "Estimated Closing Indebtedness"), (iv) Transaction Expenses as of immediately prior to the Effective Time (the "Estimated Transaction Expenses") and (v) the calculation of Total Closing Consideration resulting from each of the foregoing estimates of the components thereof (the "Estimated Total Closing Consideration"). The Estimated Closing Date Balance Sheet and the Estimate Statement shall each be determined in accordance with Applicable Accounting Principles and include related supporting schedules and calculations.

3.5 Post-Closing Merger Consideration Adjustment.

3.5.1 Post-Closing Statement. As promptly as reasonably practicable but in no event later than 90 calendar days after the Closing Date, the Parent shall cause the Surviving Corporation to deliver to the Stockholder Representative a balance sheet of the Company as of immediately prior to the Effective Time (the "Closing Date Balance Sheet") and a statement certified by an officer of the Surviving Corporation in his/her capacity as such (the "Post-Closing Statement") containing the Surviving Corporation's good faith calculation of each of: (i) Net Working Capital calculated as of immediately prior to the Effective Time and without giving effect to any of the transactions contemplated hereby (the "Final Working Capital"), (ii) the Closing Cash (the "Final Closing Cash"), (iii) the Closing Indebtedness (the "Final Closing Indebtedness"), (iv) the Transaction Expenses (the "Final Transaction Expenses") and (v) the calculation of Total Closing Consideration resulting from each of the foregoing components thereof (the "Final Total Closing Consideration"). The Closing Date Balance Sheet and the Post-Closing Statement shall each be determined in accordance with Applicable Accounting Principles and include related supporting schedules, calculations and documentation. If the Parent and the Surviving Corporation fail to deliver notice of any adjustments within such 90 day period, then the Estimated Working Capital, Estimated Closing Cash, Estimated Closing Indebtedness and/or Estimated Transaction Expenses, as applicable, shall respectively be deemed for all purposes hereunder to be the final statement of the Net Working Capital, Closing Cash, Closing Indebtedness and Transaction Expenses of the Company and the Parent and the Surviving Corporation shall have no further rights to object or require adjustments thereto.

3.5.2 Review and Dispute. Within 45 calendar days following receipt by the Stockholder Representative of the Post-Closing Statement, the Stockholder Representative shall either inform the Parent in writing that the Post-Closing Statement is acceptable, or deliver written notice (the "Notice of Disagreement")

to the Parent of any dispute the Stockholder Representative has with respect to the preparation or content of the Post-Closing Statement or the calculations reflected therein. The Notice of Disagreement must identify the items contained in the Post-Closing Statement that the Stockholder Representative disputes and the basis in reasonable detail for any such disputes, and shall provide the Stockholder Representative's proposed Closing Date Balance Sheet and calculations of each of Net Working Capital, Closing Cash, Closing Indebtedness and Transaction Expenses. If the Stockholder Representative does not notify the Parent of a dispute with respect to the Post-Closing Statement within such 45 calendar day period, such Post-Closing Statement, and the Final Working Capital, Final Closing Cash, Final Closing Indebtedness and Final Transaction Expenses reflected in the Post-Closing Statement will be final, conclusive and binding on the Parties. In the event a Notice of Disagreement is delivered to the Parent within such 45 calendar day period, the Parent and the Stockholder Representative shall negotiate in good faith to resolve such dispute. If, notwithstanding such good faith effort, the Parent and the Stockholder Representative fail to resolve such dispute within 20 calendar days after the Stockholder Representative provides the Parent with the Notice of Disagreement, then, at the request of either the Parent or the Stockholder Representative, the Parent and the Stockholder Representative jointly shall engage the Accounting Firm to resolve such dispute in accordance with this Section 3.5. The Stockholder Representative and the Parent shall use commercially reasonable efforts to cause the Accounting Firm to render a written decision resolving the matters submitted to the Accounting Firm within 20 calendar days of the making of such submission. The scope of the disputes to be resolved by the Accounting Firm shall be limited to whether the items in dispute that were included in the Notice of Disagreement were prepared in accordance with Applicable Accounting Principles and the Accounting Firm shall determine, on such basis, whether and to what extent the Post-Closing Statement and the amounts reflected therein require adjustment. The Accounting Firm is not to make any other determination, including any determination as to whether the Target Working Capital is correct. The Accounting Firm's decision shall be based solely on written submissions by the Stockholder Representative and the Parent and their respective Representatives and not by independent review. The Accounting Firm shall address only those items in dispute and may not assign a value greater than the greatest value for such item claimed by either Party or smaller than the smallest value for such item claimed by either Party. The fees and expenses of the Accounting Firm shall be borne by the Company Holders, on one hand, and by the Parent, on the other hand, in inverse proportion to the portion of the amount in dispute allocated to the Company Holders, on one hand, and by the Parent, on the other hand. The Parties agree that the procedure set forth in this Section 3.5.2 for resolving disputes with respect to the specified issues set forth in the Notice of Disagreement shall be the sole and exclusive remedy for resolving such disputes; provided, however, that the Parties agree that judgment may be entered upon the determination of the Accounting Firm in any court having jurisdiction over the Party against which such determination is to be enforced.

3.5.3 Post-Closing Adjustment. If the Final Total Closing Consideration as finally determined pursuant to Section 3.5.1 (i) is less than the Estimated Total Closing Consideration, then the Total Merger Consideration will be adjusted downward dollar-for-dollar by the amount of such shortfall, or (ii) is greater than the Estimated Total Closing Consideration, then the Total Merger Consideration will be adjusted upward dollar-for-dollar by the amount of such excess. The net result of the adjustment determined in accordance with this Section 3.5.3 shall be referred to as the "Post-Closing Adjustment Amount".

3.5.4 Downward Adjustment. If the Post-Closing Adjustment Amount results in a net decrease in Total Merger Consideration, then, within five Business Days from the date on which the Final Total Closing Consideration is finally determined in accordance with Section 3.5.1, the Parent will retain the Post-Closing Adjustment Amount by way of offset against the Adjustment Holdback. If the Adjustment Holdback is insufficient to satisfy any amount due to the Parent pursuant to this Section 3.5.4, such excess amount shall be paid by the Company Holders to the Parent by wire transfer and without limiting such obligation, if not so paid, the Parent shall be entitled to claim such payment from the Indemnity Escrow Funds. Any remaining amounts of the Adjustment Holdback after deduction pursuant to the first sentence of this Section 3.5.4 shall be, promptly upon receipt of (i) an invoice therefor from the Stockholder Representative in the form attached hereto as Exhibit H and (ii) an updated Payment Spreadsheet setting forth the amounts payable to each Company Holder who is entitled to receive a portion thereof, delivered by wire transfer of immediately available funds by the Parent to the Payments Administrator for distribution to the Company Holders in accordance with the Payment Spreadsheet delivered in connection therewith, pursuant to Article 4 and the applicable provisions of the Payments Administration Agreement.

3.5.5 Upward Adjustment. If the Post-Closing Adjustment Amount results in a net increase in Total Merger Consideration, then, promptly upon receipt of (i) an invoice therefor from the Stockholder Representative in the form attached hereto as Exhibit H and (ii) an updated Payment Spreadsheet setting forth the amounts payable to each Company Holder who is entitled to receive a portion thereof, the

Parent shall deliver to the Payments Administrator by wire transfer of immediately available funds an amount in equal to (A) entire amount of the Adjustment Holdback and (B) the Post-Closing Adjustment Amount, in each case to the Payments Administrator for distribution to the Company Holders in accordance with the Payment Spreadsheet delivered in connection therewith, pursuant to Article 4 and the applicable provisions of the Payments Administration Agreement.

3.5.6 Access. For purposes of complying with the terms set forth in this Section 3.5, each Party shall cooperate with and make available to the other Parties and their respective Representatives all information, records, data and working papers, and shall permit reasonable access to its facilities and personnel, as may be reasonably required in connection with the preparation and analysis of the Estimate Statement or the Post-Closing Statement or any amounts reflected therein and the resolution of any disputes in connection therewith. As reasonably requested, the Parties shall use reasonable efforts to transmit or provide remote access (via online data rooms or otherwise) to the foregoing information, including to financial statements, general journal and trial balances in formats such as Excel spreadsheets or searchable Word or .pdf documents.

ARTICLE 4

PAYMENTS; PAYMENTS ADMINISTRATOR; EFFECT ON SECURITIES

4.1 Payments at Closing; Payments Administrator

4.1.1 No later than three Business Days prior to the Closing Date, the Company shall deliver to the Parent:

4.1.1.1 final invoices in respect of Transaction Expenses, including details of the accounts to which payment of the Transaction Expenses shall be sent as of the Closing (the "Transaction Expenses Schedule");

4.1.1.2 pay-off letters in respect of Indebtedness to be repaid as of the Closing, in a form and substance reasonably acceptable to the Parent, including details of the accounts to which payments for Indebtedness shall be sent as of the Closing (the "Debt Payment Schedule");

4.1.1.3 a certificate of the Company's Chief Financial Officer setting forth the amount of all Transaction Expenses and Indebtedness to be paid at Closing as set forth in the Transaction Expenses Schedule and Debt Payment Schedule (a "CFO Certificate");

4.1.1.4 a Payment Spreadsheet with respect to the Total Merger Consideration (the "Closing Payment Spreadsheet");

4.1.1.5 all information necessary to deliver Letters of Transmittal or make payments of any portion of the Total Merger Consideration, which shall be in such form as the Payments Administrator may have reasonably requested and shall include each Company Holders' portion of each of the Adjustment Holdback, Indemnity Escrow Amount and Stockholder Representative Reimbursement Fund (expressed as both a dollar amount and percentage of the total amount); and

4.1.1.6 a funds flow memorandum, including proper wire transfer instructions, detailing each of the foregoing payments.

4.1.2 At least 10 Business Days prior to the Closing Date, the Company shall deliver to the Parent drafts of each of the documents contemplated by Section 4.1.1 and shall incorporate such comments as are reasonably made by the Parent.

4.1.3 Subject to Sections 4.3 and 4.4 and Article 11, at the Closing, the Parent shall deliver, by wire transfer of immediately available funds to Acquiom Financial LLC, a Colorado limited liability company, or such other bank, trust company or other institution mutually acceptable to the Parent and the Stockholder Representative (the "Payments Administrator"), an amount in cash equal to the Closing Payment less the Aggregate Exercise Price, which amount shall be payable and distributed pursuant to this Article 4 and the applicable provisions of the Payments Administration Agreement.

4.1.4 Subject to the terms and conditions in this Agreement, and as an inducement to the Company to execute and deliver this Agreement, at the Closing, the Parent shall pay or, in the Parent's sole discretion, cause the Payments Administrator to pay (i) to the Company (or directly on behalf of the Company), for immediate payment to the holders of Indebtedness the corresponding amounts set forth in the Debt Payment Schedule and (ii) to the Persons set forth in the Transaction Expenses Schedule as being entitled to receive unpaid Transaction Expenses, the corresponding amounts set forth in the Transaction Expenses Schedule.

4.1.5 Notwithstanding any other provisions of this Agreement, the Parent's sole obligation with respect to payment of all or any portion of Total Merger Consideration or other amount payable pursuant to this Article 4 shall be the making of such payment to the Payments Administrator or the Escrow Agent, as applicable, pursuant to the terms and conditions hereof. Notwithstanding any other provision of this Agreement, neither the Parent nor the Surviving Corporation shall have any Liability with respect to the allocation of such amounts among the Company Holders and/or any other Persons entitled to any portion thereof or otherwise in connection with the distribution thereof.

4.2 Indemnity Escrow Fund and Stockholder Representative Reimbursement Fund.

4.2.1 At the Effective Time, the Parent shall deposit, by wire transfer of immediately available funds, (i) with the Escrow Agent, to be held in escrow by the Escrow Agent pursuant to the Escrow Agreement, cash in the amount of the Indemnity Escrow Amount and (ii) with the Stockholder Representative, cash in the amount of the Stockholder Representative Reimbursement Fund.

4.2.2 To the extent that funds are distributed from the Indemnity Escrow Fund to the Company Holders in accordance with the Escrow Agreement or that funds are distributed from Stockholder Representative Reimbursement Fund to the Company Holders, such funds shall be paid to the Payments Administrator for distribution to the Company Holders in accordance with the terms of this Article 4 and the applicable provisions of the Payments Administration Agreement. The Payments Administration Agreement shall require that the Stockholder Representative shall deliver to the Payments Administrator an updated Payment Spreadsheet setting forth the amounts payable to each Person who is entitled to receive any portion of the Indemnity Escrow Fund or the Stockholder Representative Reimbursement Fund prior to any release of such funds pursuant to the terms hereof and the Escrow Agreement.

4.3 Effect on Securities. Subject to the terms and conditions of this Agreement, at the Effective Time, by virtue of the Merger and without any action on the part of the Parent, the Company, the Merger Sub or any Company Holder:

4.3.1 Treasury Stock. All shares of Company Capital Stock that are held by the Company as treasury stock or that are owned by the Company, the Merger Sub, the Parent or any of its Subsidiaries immediately prior to the Effective Time shall cease to be outstanding and shall be canceled, extinguished (without conversion thereof), retired and shall cease to exist and none of the Total Merger Consideration or other consideration shall be delivered in exchange therefor.

4.3.2 Company Capital Stock. Each share of Company Capital Stock that is issued and outstanding immediately prior to the Effective Time (other than shares canceled pursuant to Section 4.3.1 and Dissenting Shares) shall be canceled and converted into, and become a right to receive, deliverable upon surrender of a Certificate representing such share (or affidavit of lost certificate and indemnity agreement or similar agreement) and a Letter of Transmittal provided in Section 4.4 below and subject to Article 9, cash in an amount equal to the portion set forth on a Payment Spreadsheet, delivered in accordance with the terms of this Agreement, of each of the following (as determined in accordance with this Agreement, the Company Charter Documents and the Company Governing Agreements):

4.3.2.1 the Closing Payment;

4.3.2.2 the Milestone Payments, if any, that the Company Holders become entitled to receive pursuant to Section 3.2.1;

4.3.2.3 the Adjustment Holdback, if any, and the Post-Closing Adjustment Amount, if any, that the Company Holders become entitled to receive pursuant to Section 3.5.4 or Section 3.5.5;

4.3.2.4 the Indemnity Escrow Fund, if any, that the Company Holders become entitled to receive pursuant to Article 9 and the Escrow Agreement; and

4.3.2.5 the Stockholder Representative Reimbursement Fund, if any, that the Company Holders become entitled to receive pursuant to Section 10.5.

4.3.3 Company Options.

4.3.3.1 Option Merger Consideration. Subject to Section 4.3.3.3, each issued and outstanding Company Option as of immediately prior to the Effective Time shall automatically vest in full and be canceled and converted into the right to receive (i)(A) the number of shares subject to such Company Option divided by (B) the number of shares of Fully Diluted Common Stock multiplied by (ii) the portion of Total Merger Consideration payable to Company Holders less (iii) the applicable aggregate exercise price of such Company Option, and from and after the Effective Time, the Company Options shall no longer be exercisable by the holders thereof, but shall only entitle such holders to the payment of the consideration set forth in this Section 4.3.3. Prior to the Closing, the board of directors of the Company will take all actions necessary under the Company Option Plans and the agreements governing the Company Options to effectuate the provisions of this Section 4.3.3 with respect to the Company Options issued thereunder and to terminate each of the Company Option Plans such that from and after the Effective Time no employee or other service provider of the Company or any Company Subsidiary, or any participant under the Company Option Plans, shall have any option to purchase shares of Company Capital Stock, any other equity interest in the Company, or any right to receive, purchase or be granted an equity interest in the Company.

4.3.3.2 Company Option Closing Payment. Subject to Section 4.3.3.3, following the Closing, and subject to Section 4.5.2, the Payments Administrator shall, subject to Section 4.5, distribute to the holders of Company Options in respect of each issued and outstanding Company Option an amount equal to (i)(A) the number of shares subject to such Company Option divided by (B) the number of shares of Fully Diluted Common Stock multiplied by (ii) the Closing Payment less (iii) the applicable aggregate exercise price of such Company Option (the result of such calculation, the "Company Option Closing Payment"). Following payment of the Company Option Closing Payment, each former holder of Company Options shall be paid in respect of each Company Option the applicable portion of Total Merger Consideration (other than any portion of the Closing Payment payable to holders of Company Common Stock) to which each such holder would be entitled pursuant to Section 4.3.2 as if such holder of Company Options held a share of Company Common Stock immediately prior to the Effective Time.

4.3.3.3 At the Effective Time, each outstanding Company Option that is not an In-the-Money Option shall be cancelled for no consideration.

4.3.4 Company Restricted Shares. Each issued and outstanding Company Restricted Share as of immediately prior to the Effective Time shall automatically vest in full such that the Company's right of repurchase shall lapse in full, and shall be treated as an outstanding share of Company Common Stock for purposes of this Agreement. Prior to the Closing, the board of directors of the Company will take all actions necessary under the Company Option Plans and the agreements governing the Company Restricted Shares to effectuate the provisions of this Section 4.3.4.

4.3.5 Other Notices. The Company shall send holders of Company Preferred Stock, Company Options and Company Restricted Shares timely notice pursuant to all applicable certificates of incorporation, certificates of designation, plans and agreements governing the Company Restricted Shares, Company Options and Company Preferred Stock of the foregoing in form and substance reasonably acceptable to the Parent.

4.3.6 Conversion of Merger Sub Common Stock. Each outstanding share of Merger Sub Common Stock issued and outstanding immediately prior to the Effective Time shall be converted into one fully paid and non-assessable share of the common stock, US\$0.01 par value per share, of the Surviving Corporation. Following the Effective Time, each certificate evidencing ownership of shares of Merger Sub Common Stock shall evidence ownership of such shares of common stock of the Surviving Corporation.

4.4 Exchange of Certificates.

4.4.1 Promptly following the Closing Date, the Payments Administrator shall mail and distribute electronically to each holder of record of shares of Company Capital Stock as of immediately prior to the Effective Time (i) a notice of the effectiveness of the Merger; (ii) a letter of transmittal substantially in the form attached hereto as Exhibit I (the “Letter of Transmittal”); and (iii) instructions for use in surrendering the certificates representing the former shares of Company Capital Stock (collectively, the “Certificates”) and for receiving the applicable portions of the Total Merger Consideration in respect thereof. Upon surrender to the Payments Administrator of a Certificate together with such Letter of Transmittal duly executed and completed in accordance with the instructions thereto, (i) the holder of such Certificate shall be entitled to receive in exchange therefor the applicable portions of the Total Merger Consideration, as, if and when payable in accordance with Section 4.3 and (ii) the Certificate so surrendered shall forthwith be canceled. The Payments Administrator shall, promptly, in accordance with the Payments Administration Agreement, following receipt of each properly surrendered Certificate, cause the payment(s) described in the preceding sentence to be made to the holder of such Certificate by check or wire transfer to the account designated by such holder in the Letter of Transmittal delivered with such Certificate.

4.4.2 If any Certificate shall have been lost, stolen or destroyed, the record holder of such Certificate shall deliver to the Parent or the Payments Administrator an affidavit with respect to such loss, theft or destruction in a form reasonably acceptable to the Parent and the Payments Administrator. The Payments Administrator or the Parent may, in its sole discretion and as a condition precedent to the delivery of any applicable portion of the Total Merger Consideration to such holder, require such record holder to indemnify the Payments Administrator, the Parent and the Surviving Corporation against any claim that may be made against the Payments Administrator, the Parent or the Surviving Corporation with respect to the Certificate alleged to have been lost, stolen or destroyed. The Payments Administrator shall not deliver to such record holder any portion of the Total Merger Consideration attributable to any such lost, stolen or destroyed Certificate until such record holder shall have complied with this Section 4.4.2.

4.4.3 Notwithstanding anything to the contrary in this Section 4.4, none of the Payments Administrator, the Parent, the Merger Sub, the Company, the Surviving Corporation, the Stockholder Representative or any other Person shall be liable to any Company Holder for any amount properly paid to a public official pursuant to any applicable abandoned property, escheat or similar Law.

4.4.4 Any portion of the funds received by the Payments Administrator (including the proceeds of any investments thereof) that remains unclaimed by any Company Holder for one year after the date of delivery to the Payments Administrator shall be delivered to the Surviving Corporation. Any Company Holder that has not theretofore surrendered any Certificate and submitted a Letter of Transmittal in accordance with the requirements set forth in such Letter of Transmittal and this Article 4, or otherwise received any portion of the Total Merger Consideration due and payable to such Company Holder pursuant to this Agreement, shall thereafter look only to the Parent (or any successor thereto) and the Surviving Corporation (or any successor thereto) for payment of the applicable portion of the Total Merger Consideration (after giving effect to any required Tax withholdings and without any interest thereon) upon due surrender of any applicable Certificate (or effective affidavits of loss in lieu thereof).

4.5 Exchange Procedures for Company Options.

4.5.1 Promptly following the Closing Date, the Payments Administrator shall mail or electronically deliver to each holder of Company Options as of immediately prior to the Effective Time (i) a notice of the effectiveness of the Merger; (ii) a Letter of Transmittal; and (iii) instructions for receiving the applicable portions of the Total Merger Consideration in respect thereof. Upon delivery to the Payments Administrator of such Letter of Transmittal duly executed and completed in accordance with the instructions thereto, each holder of Company Options shall be entitled to receive in exchange therefor the applicable portions of the Total Merger Consideration payable in accordance with Section 4.3.

4.5.2 The Payments Administrator shall, promptly, in accordance with the Payments Administration Agreement, following receipt of each duly executed and completed Letter of Transmittal, cause the payment described in Section 4.5.1, as, if and when payable to each applicable holder of Company Options to be paid to such holder. The Payments Administrator shall distribute, or cause to be distributed, all amounts described in the preceding sentence to the holders of Company Options net of any required withholding Taxes. The Payments Administrator shall pay, or cause the applicable Person to pay, all payments or distributions in respect of Company Options in accordance with Treasury Regulations Section 1.409A-3(i)(5) (iv)(A) or in a manner exempt from the requirements of Section 409A of the Code in reliance upon Treasury Regulation

Section 1.409A-1(b)(4), and neither the Payments Administrator, the Parent nor any of its Affiliates (including any Relevant Company) shall report or take any Tax position (on a Tax Return or otherwise) inconsistent with such treatment unless required by a final determination under Code Section 1313(a) (or similar state law).

4.6 No Further Ownership Right. At the Effective Time, all shares of Company Capital Stock and each Company Option outstanding immediately prior to the Effective Time shall cease to be outstanding and shall be canceled and retired and shall cease to exist, and each holder of a Certificate that immediately prior to the Effective Time represented any such shares of Company Capital Stock shall thereafter cease to have any rights with respect to such shares of Company Capital Stock, except in the case of all shares of Company Capital Stock and each Company Option, for the right to receive the applicable portion of the Total Merger Consideration, without interest. The applicable portions of the Total Merger Consideration paid upon the surrender of Certificates or payable thereafter in accordance with this Agreement and any other applicable Transaction Document shall be deemed to have been paid in full satisfaction of all rights pertaining to the Company Capital Stock formerly represented thereby or issuable upon exercise or conversion thereof. The applicable portions of the Total Merger Consideration payable to holders of Company Options in accordance with this Agreement, the Company Charter Documents, the Company Governing Agreements and any other applicable Transaction Document shall be deemed to have been paid in full satisfaction of all rights pertaining to the Company Capital Stock formerly issuable upon exercise thereof.

4.7 Taking of Necessary Action; Further Action. If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full right, title and possession to all assets, property, rights, privileges, powers and franchises of the Company, the officers and directors of the Surviving Corporation are authorized in the name and on behalf of the Company to take all such lawful and necessary action. The Parent shall cause the Merger Sub or the Surviving Corporation, as the case may be, to perform all of the obligations of the Merger Sub or the Surviving Corporation, as applicable, relating to this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby.

4.8 Appraisal Rights.

4.8.1 Notwithstanding any provision of this Agreement to the contrary, other than Section 4.8.2, in the event any holder of shares of Company Capital Stock duly and validly demands appraisal of such shares of Company Capital Stock in accordance with the provisions of Section 262 of Delaware Law, is in compliance with all of the provisions of Section 262 of Delaware Law concerning the right of such holder to demand appraisal of such shares of Company Capital Stock in connection with the Merger and, as of the Effective Time, has not effectively withdrawn or lost such appraisal rights (all shares of Company Capital Stock held by all such holders, the “Dissenting Shares”), any Dissenting Shares held by such holder shall not be converted into or represent a right to receive any portion of the Total Merger Consideration pursuant to Section 4.3 but instead shall be converted into the right to receive only such consideration as may be determined to be due with respect to such Dissenting Shares under Section 262 of Delaware Law. From and after the Effective Time, a holder of Dissenting Shares shall not be entitled to exercise any of the voting rights or other rights of a stockholder of the Surviving Corporation.

4.8.2 Notwithstanding the provisions of Section 4.3, if any holder of shares of Company Capital Stock who demands appraisal of such shares under Section 262 of Delaware Law shall effectively withdraw or lose (through failure to perfect or otherwise) the right to appraisal or purchase, as of the later of the Effective Time and the occurrence of such event, such holder’s shares of Company Capital Stock shall no longer be deemed Dissenting Shares pursuant to this Agreement and shall automatically be converted into, and represent only, the right to receive the applicable portions of the Total Merger Consideration as provided in Section 4.3 upon surrender of the Certificates representing such shares of Company Capital Stock in accordance with Section 4.4.

4.8.3 Promptly following the last date upon which a stockholder may properly perfect appraisal rights with respect to any shares of Company Capital Stock pursuant to Section 262 of Delaware Law, the Company shall give the Parent notice of any written demands for appraisal of any shares of Company Capital Stock and thereafter shall, prior to the Effective Time, promptly provide notice of any withdrawals of such demands and any other instruments served pursuant to Chapter Section 262 of Delaware Law and received by the Company that relate to any such demand for appraisal or purchase. The Company shall not, except with the prior written consent of the Parent (not to be unreasonably withheld) or as required by applicable Law, either (i) voluntarily make any payment with respect to any demands for appraisal or purchase

of shares of Company Capital Stock or offer to settle or settle any such demands or (ii) make any offer to buy, or accept any offer to sell, any shares of Company Capital Stock.

4.9 Transfer of Merger Consideration. The right of each Company Holder to receive the portion of the Total Merger Consideration, if any, to which such Company Holder is entitled pursuant to this Agreement upon consummation of the Merger: (i) shall be personal to such Company Holder and shall not be transferable by such Company Holder or any Person claiming under such Company Holder, whether by sale, assignment, pledge or otherwise, except, in each case, subject to compliance with applicable Law and the provisions of this Section 4.9, and any other purported transfer shall be void and of no force or effect; (ii) shall not constitute or represent any equity or ownership interest in the Parent or the Surviving Corporation; (iii) shall not entitle such Company Holder to any voting or dividend rights, rights to any other distributions or other rights common to stockholders of the Parent or the Surviving Corporation; and (iv) does not constitute a security for any purpose. Subject to the foregoing, this Agreement shall not restrict any Company Holder from transferring such Company Holder's right to receive the portion of the Total Merger Consideration, if any, to which such Company Holder is entitled pursuant to this Agreement upon consummation of the Merger (A) to Affiliates controlled by such Company Holder, (B) to a trust or other similar vehicle for purposes of tax, estate or financial planning, (C) upon the death of such Company Holder to such Company Holder's beneficiaries, estate, executor or administrator, (D) in the case of any Company Holder that is a venture capital investment or similar fund, pursuant to a pro rata in kind distribution to investors in such fund in accordance with the governing documents of such fund; provided, however, that in each case, (1) such transferor Company Holder (or in the event of death, if applicable, such Company Holder's executor or legal representative) provides to the Parent and the Stockholder Representative prompt written notice of such transfer, which written notice shall be given in accordance with the provisions of Section 13.3 and shall set forth the name and address of each transferee and provide such other information as the Parent may reasonably request, (2) such transferor Company Holder does not receive any consideration in connection with such transfer, and (3) any such permitted transferee agrees to assume all of the obligations of such transferor Company Holder under this Agreement to the extent such obligations are applicable to the portion of the Total Merger Consideration so transferred to such permitted transferee; provided, further, that any transferee of such transferor Company Holder's right to receive the portion of the Total Merger Consideration shall be deemed by virtue of such assignment or transfer to have agreed to the provisions of Article 10. Subsequent transfers by any such transferee of the right to receive a portion of the Total Merger Consideration shall also be made pursuant to, and in accordance with, all of the provisions of this Section 4.9 (including the provisos of the preceding sentences) to the same extent as if each such transferee were a Company Holder. Notwithstanding any other provision of this Agreement, where a provision in this Agreement refers to the payment of any portion of the Total Merger Consideration to a Company Holder, the term Company Holder shall be deemed to include any transferees of such Company Holder, as permitted pursuant to this Section 4.9.

4.10 Aggregate Total Merger Consideration Payments. Notwithstanding any other provision of this Agreement, in no event shall the total payments made to Company Holders in respect of Company Capital Stock and Company Options exceed the Total Merger Consideration.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby makes the following representations and warranties to the Parent and the Merger Sub, subject to the corresponding exceptions set forth in the applicable Section of the Company Disclosure Schedule:

5.1 Organization; Subsidiaries.

5.1.1 The Company (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware; (ii) has the corporate or other power and authority to own, lease and operate its assets and property and to carry on its business as currently conducted; and (iii) is duly qualified to do business in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its activities makes such qualification necessary under applicable Law, except where the failure to be so qualified would not reasonably be expected to result in a Company Material Adverse Effect.

5.1.2 Each Company Subsidiary (i) is a corporation or other legal entity duly organized, validly existing and in good standing (in jurisdictions that recognize the concept of good standing) under the laws of its jurisdiction of formation; (ii) has the corporate or other power and authority to own, lease and

operate its assets and property and to carry on its business as currently conducted; and (iii) is duly qualified to do business in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its activities makes such qualification necessary under applicable Law, except where the failure to be so qualified would not reasonably be expected to result in a Company Material Adverse Effect.

5.1.3 Section 5.1.3 of the Company Disclosure Schedule sets forth a list of the number and type of equity securities held by the Company in each of the Company Subsidiaries, the percentage of all outstanding equity interests for the Company Subsidiaries represented by the securities held by the Company and a summary of all outstanding options or similar arrangements to acquire equity securities of the Company Subsidiaries. Other than as set forth on Section 5.1.3 of the Company Disclosure Schedule, the Company (i) has no Subsidiaries, (ii) does not own, directly or indirectly, any capital stock of any Person, and (iii) has not agreed, is not obligated to make and is not bound by any written agreement or contract to make any future investment in or capital contribution to any other Person.

5.1.4 The Company has made available in the Data Room (i) its certificate of incorporation, as amended and restated as of the Execution Date (the “Company Certificate of Incorporation”), (ii) the bylaws of the Company, as amended to the Execution Date (the “Company Bylaws”) and together with the Company Certificate of Incorporation, the “Company Charter Documents”), and (iii) all charter, bylaw, formation or similar constitutive or governing documents of each Company Subsidiary (the “Company Subsidiary Charter Documents”). Each Company Charter Document and Company Subsidiary Charter Document is in full force and effect. The Company is not in violation of any of the provisions of the Company Charter Documents, and no Company Subsidiary is in violation of any Company Subsidiary Charter Document.

5.2 Company Capitalization.

5.2.1 Immediately prior to the Closing and the conversion of the Company Preferred Stock to Company Common Stock, the authorized capital of the Company consists of:

5.2.1.1 Series A Preferred Stock. 9,065,414 authorized shares of Series A Preferred Stock, all of which are issued and outstanding. Each share of Series A Preferred Stock is convertible into one share of Company Common Stock. All such issued and outstanding shares of Series A Preferred Stock are held by the Persons and in the amounts set forth on Section 5.2.1.1 of the Company Disclosure Schedule.

5.2.1.2 Series B Preferred Stock. 17,786,921 authorized shares of Series B Preferred Stock, all of which are issued and outstanding. Each share of Series B Preferred Stock is convertible into one share of Company Common Stock. All such issued and outstanding shares of Series B Preferred Stock are held by the Persons and in the amounts set forth on Section 5.2.1.2 of the Company Disclosure Schedule.

5.2.1.3 Series C Preferred Stock. 5,121,692 authorized shares of Series C Preferred Stock, all of which are issued and outstanding. Each share of Series C Preferred Stock is convertible into one share of Company Common Stock. All such issued and outstanding shares of Series C Preferred Stock are held by the Persons and in the amounts set forth on Section 5.2.1.3 of the Company Disclosure Schedule.

5.2.1.4 Common Stock. 45,000,000 authorized shares of Company Common Stock, 3,277,980 of which are issued and outstanding. All such issued and outstanding shares of Company Common Stock are held by the persons and in the amounts set forth on Section 5.2.1.4 of the Company Disclosure Schedule.

5.2.2 Options. The Company has reserved for issuance pursuant to the Company Option Plans an aggregate of 11,203,732 shares of Company Common Stock, of which options to purchase 6,148,994 shares of Company Common Stock are outstanding, which options are held by the Persons set forth in Section 5.2.2(i) of the Company Disclosure Schedule, and 392,239 shares of Company Common Stock remain available for issuance to the employees, directors or outside Contract Workers. All agreements governing Company Options and Company Restricted Shares are in the forms of option agreements and restricted stock purchase agreements, as applicable, made available in the Data Room.

5.2.3 All Company Capital Stock and Company Options have been issued and granted in compliance with all applicable Laws.

5.2.4 Except as set forth in Section 5.2.2(ii) of the Company Disclosure Schedule, (i) there are no outstanding or authorized options, warrants, equity or equity-linked securities, stock appreciation, phantom stock, profit participation, calls, rights (including conversion rights, preemptive rights, co-sale rights, voting rights, registration rights, rights of first refusal, rights relating to the transfer of or other similar rights relating to Company Capital Stock or other equity securities of the Company), convertible debt or other agreements to which the Company or, to the Company's Knowledge, any Company Holder, is a party or by which it is bound obligating (and there are no securities of the Company outstanding which upon conversion or exchange would obligate) the Company to issue, sell, transfer, repurchase or redeem any Company Capital Stock or other equity securities of the Company or other securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase shares of Company Capital Stock or other equity securities of the Company and (ii) there are no obligations, contingent or otherwise, of the Company to (A) repurchase, redeem or otherwise acquire any shares of Company Capital Stock or (B) provide material funds to, or make any material investment in (in the form of a loan, capital contribution or otherwise), or provide any guarantee with respect to the obligations of, any Person (such items set forth on such Sections of the Company Disclosure Schedule, collectively, the "Company Rights"). Except as set forth in Section 5.2.4 of the Company Disclosure Schedule, (1) there are no agreements to which the Company or, to the Company's Knowledge, any Company Holder, is a party or by which it is bound with respect to the voting or consent of any shares of Company Capital Stock or other equity securities of the Company (including voting trusts or proxies), registration under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the "Securities Act"), purchase, sale or transfer (including agreements relating to preemptive rights, rights of first refusal, co-sale rights or drag-along rights) of any Company Capital Stock or other equity securities of the Company and (2) there are no bonds, debentures, notes or other debt of the Company having the right to vote or consent (or, convertible into, or exchangeable for, securities having the right to vote or consent) on any matters on which the Company Holders may vote (such items set forth on such Sections of the Company Disclosure Schedule, collectively, the "Company Governing Agreements").

5.2.5 The Company has never made a liquidating distribution, as determined in accordance with the Company Certificate of Incorporation.

5.2.6 The Payment Spreadsheet sets forth the applicable portion of the Total Merger Consideration payable to the Company Holders, as contemplated by this Agreement, the Company Charter Documents and the Company Governing Agreements.

5.3 Authority; Non-Contravention.

5.3.1 The Company has all requisite corporate power and authority to enter into this Agreement and the other Transaction Documents to which it is or shall be a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The board of directors of the Company has unanimously (i) adopted this Agreement and approved its execution and delivery and the consummation of the Merger and the other transactions contemplated by this Agreement, and (ii) determined that the Merger is advisable and in the best interests of the Company and the stockholders of the Company. The execution and delivery of this Agreement and the other Transaction Documents, and the consummation of the transactions contemplated hereby and thereby, by the Company have been duly authorized by all necessary corporate action on the part of the Company, subject only to receipt of the Required Stockholder Vote and the filing of the Merger Certificate pursuant to Delaware Law. The Required Stockholder Vote will be sufficient for the holders of the Company Capital Stock to adopt and approve this Agreement and the Merger pursuant to applicable Laws and the Company Charter Documents, Company Governing Agreements, Company Rights and Material Contracts of the Company, and no other vote of the holders of the Company Capital Stock or any class thereof is required thereby in connection with the consummation of the transactions contemplated hereby or by the other Transaction Documents. This Agreement is, and each of the other Transaction Documents to which the Company is or shall be a party has been, or upon execution and delivery thereof shall be, duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery of this Agreement and the other Transaction Documents to which the Company is or shall be a party by the other parties hereto or thereto, constitute, or upon execution and delivery shall constitute, the valid and binding obligation of the Company, enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the rights of creditors generally and general principles of equity regardless of whether asserted in a proceeding in equity or at law.

5.3.2 The execution and delivery by the Company of this Agreement and the other Transaction Documents to which it is or shall be a party do not, and the performance by the Company of the

transactions contemplated hereby and thereby shall not, constitute a default or breach (or an event which with notice or lapse of time or both would become a default or breach) under, or conflict with or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of any Liability or the loss of any material benefit or result in the creation of any Encumbrance on any of the properties or assets of the Relevant Companies pursuant to (i) the Company Charter Documents, (ii) the Company Subsidiary Charter Documents, (iii) any Company Permit, (iv) except as set forth in Section 5.3.2 of the Company Disclosure Schedule, any note, bond, mortgage, indenture, contract, agreement, lease, license franchise, concession or other instrument or obligation to which any Relevant Company is a party or by which any Relevant Company or any of its properties or assets is bound, or (v) any Law or Order applicable to any Relevant Company or any of their respective properties or assets; except, in the case of clause (ii), (iii) or (iv), for any consent, waiver, approval or notice set forth in Section 5.3.2 of the Company Disclosure Schedule. Except as set forth in Section 5.3.2 of the Company Disclosure Schedule, no consent, waiver or approval of any Person, nor any notice to any Person, of the transactions contemplated by this Agreement and the other Transaction Documents is required to be obtained or made under any Material Contract or Company Permit, the breach of which would cause any Relevant Company to lose any material rights under such Material Contract or Company Permit.

5.3.3 No consent, waiver, Order, permit, approval or authorization of, or registration, notice to or filing with, any Governmental Entity is required to be obtained or made by any Relevant Company in connection with the execution and delivery by the Company of this Agreement or any other Transaction Document to which the Company is or shall be a party, the compliance by the Company with any provisions of this Agreement or any other Transaction Document or the consummation of the transactions contemplated hereby or thereby by the Company, except for the filing of (i) the Merger Certificate with the Secretary of State of the State of Delaware and (ii) filings under the HSR Act and any other applicable Antitrust Laws and clearance thereunder.

5.4 Financial Statements; No Liability.

5.4.1 Section 5.4 of the Company Disclosure Schedule sets forth true and complete copies of (i) the audited balance sheet of the Company and each non-consolidated Company Subsidiary as of December 31, 2017 and 2016 and the related audited statements of operations and cash flows for the years then ended, (ii) when and to the extent available, the audited balance sheet of the Company and each non-consolidated Company Subsidiary as of December 31, 2018 and the related audited statements of operations and cash flows for the years then ended, and (iii) the unaudited balance sheet and related statements of operations and cash flows of the Company and each non-consolidated Company Subsidiary as of and for each full month since the last month of the most recently available audited balance sheet. Collectively, the financial statements referred to in the immediately preceding sentence are referred to herein as the “Company Financial Statements”, and the most recent audited balance sheets of the Relevant Companies are referred to herein as the “Company Balance Sheet” and December 31st of the year of the most recent audited balance sheets is referred to herein as the “Balance Sheet Date.”

5.4.2 The Company Financial Statements (i) are true and complete in all material respects, (ii) are consistent with the books and records of the Company, (iii) were prepared in accordance with GAAP or IFRS, as applicable to each Relevant Company, applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto; provided, that the unaudited Company Financial Statements do not contain any of the footnotes required by GAAP or IFRS, as applicable to each Relevant Company), and (iv) fairly present the financial position of each Relevant Company at the respective dates thereof and the results of operations and cash flows of each Relevant Company for the periods indicated; provided, however, that the unaudited Company Financial Statements referred to in clause (ii) of Section 5.4.1 above do not contain any of the footnotes required by GAAP or IFRS, as applicable to each Relevant Company, and are subject to normal and recurring year-end adjustments, including expenses for stock options, stock valuation and imputed warrant interest expense.

5.4.3 Each Relevant Company has established and maintains a system of internal control over financial reporting sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of the Company Financial Statements in accordance with GAAP or IFRS, as applicable to each Relevant Company.

5.4.4 No Relevant Company has Liabilities of the nature required to be disclosed in the liabilities section of a balance sheet prepared in accordance with GAAP or IFRS, as applicable to each

Relevant Company, including the notes thereto (the “Balance Sheet Liabilities”), except for Balance Sheet Liabilities reflected on the Company Balance Sheet, or incurred after the date of the Company Balance Sheet in the ordinary course of business, or set forth in Section 5.4 of the Company Disclosure Schedule, or that are not material to any Relevant Company. No Relevant Company is a party to any material off-balance sheet arrangements or any material obligations under any interest rate or currency cap, swap, collar, hedging or similar transaction.

5.5 Absence of Certain Changes or Events. Since the Balance Sheet Date, there has not been any Company Material Adverse Effect. Except as set forth in Section 5.5 of the Company Disclosure Schedule, since the Balance Sheet Date, (i) each Relevant Company has conducted its business in the ordinary course consistent with past practice and (ii) there has not occurred any action that, if it had occurred between the Balance Sheet Date and the Execution Date without the consent of the Parent, would have constituted a breach of any of the covenants set forth in Article 7.

5.6 Taxes.

5.6.1 Each Relevant Company has timely filed all Tax Returns that it was required to file on or prior to the date hereof taking into account any valid extensions. All such Tax Returns were true, complete and correct in all material respects at the time they were filed. All Taxes, whether or not shown as due and payable on such Tax Returns, have been timely paid. Section 5.6.1 of the Company Disclosure Schedule sets forth all jurisdictions, foreign or domestic, in which the Relevant Companies file Tax Returns. To the Company’s Knowledge, no written claim has ever been made by any Governmental Entity in a jurisdiction where any Relevant Company does not file Tax Returns that it is or may be subject to taxation or to a requirement to file Tax Returns in such jurisdiction.

5.6.2 Except as set forth in Section 5.6.2 of the Company Disclosure Schedule, the Company Financial Statements contain adequate reserves in accordance with GAAP or IFRS, as applicable to each Relevant Company (excluding reserves for deferred Taxes established to reflect timing differences between book and Tax income) for all Liabilities for Taxes accrued by any Relevant Company but not yet due and payable or that are being contested in good faith as of the dates thereof, and no Relevant Company has incurred any Liability for Taxes subsequent to the date of the latest Company Financial Statements except in the ordinary course of business.

5.6.3 Except as set forth in Section 5.6.3 of the Company Disclosure Schedule, no Relevant Company is currently the beneficiary of any extension of time within which to file any Tax Return. There are no liens for any amount of Taxes, other than Taxes not yet due and payable.

5.6.4 Except as set forth in Section 5.6.4 of the Company Disclosure Schedule, each Relevant Company has complied in all respects with all applicable Laws relating to the payment and withholding of Taxes and have, within the time and manner prescribed by law, paid over to the proper Governmental Entity all amounts required to be withheld and paid over under applicable Laws.

5.6.5 No foreign, federal, state or local tax audits or administrative or judicial Tax proceedings are currently pending or, to the Company’s Knowledge, threatened in writing with respect to any Relevant Company. The Company has made available in the Data Room copies of all material income Tax Returns filed by and on behalf of each Relevant Company since January 1, 2008 (or, in the case of any Relevant Company formed following January 1, 2008, since such Relevant Company’s date of formation).

5.6.6 No Relevant Company has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

5.6.7 No Relevant Company has been a United States real property holding corporation within the meaning of Code Section 897(c)(2) during the applicable period specified in Code Section 897(c)(1)(A)(ii). No Relevant Company is a party to or bound by any Tax allocation, indemnity or sharing agreement, other than, in each case, standard commercial agreements with third parties entered into in the ordinary course of business the principal purpose of which is unrelated to Taxes. No Relevant Company (i) has been a member of an affiliated group filing a consolidated federal income Tax Return or (ii) has Liability for the Taxes of any Person under Treasury Regulation Section 1.1502-6 or any similar provision of any Law.

5.6.8 No Relevant Company has engaged in a “reportable transaction”, as set forth in Treasury Regulation Section 1.6011-4(b)(1) or any comparable provision of state, local or foreign law.

5.6.9 (i) No Relevant Company has agreed to, nor is required to make, any adjustment pursuant to Section 481(a) of the Code; (ii) to the Company’s Knowledge, the IRS has not proposed in writing any such adjustment or change in accounting method with respect to any Relevant Company; and (iii) no Relevant Company has an application pending with any taxing authority requesting permission for any change in accounting method.

5.6.10 There are no liens with respect to Taxes upon any of the properties or assets, real or personal, tangible or intangible, of any Relevant Company (except for Taxes not yet due and payable).

5.6.11 No Relevant Company will be required to include any item of income or gain in, or be required to exclude any item of deduction of loss from, any period ending after the Closing Date as a result of any (i) change in accounting method, (ii) closing or similar agreement with any taxing authority, (iii) installment sale or open transaction, (iv) election under Section 108(i) of the Code, or (v) prepaid amount received prior to the Closing Date.

5.6.12 None of the Relevant Companies has constituted a “distributing corporation” or a “controlled corporation” (within the meaning of Code Section 355(a)(1)(A)) in a distribution of shares that was reported or otherwise constituted a distribution of shares under Section 355 of the Code.

5.6.13 No Company Subsidiary organized under the laws of a non-U.S. jurisdiction owns any “United States property” that could, if the Subsidiary were treated as a “controlled foreign corporation” within the meaning of Code Section 957, result in an inclusion of income under Code Section 956.

5.6.14 No Relevant Company has made a “domestic use election” pursuant to Treasury Regulation Section 1.1503(d)-6 or will have recapture under the dual consolidated loss provisions of U.S. federal, state, local, or non-U.S. applicable Law after the Closing by reason of such losses incurred prior to the Closing.

5.6.15 Section 5.6.15 of the Company Disclosure Schedule lists each Company Subsidiary as of the date hereof, the jurisdiction in which such Company Subsidiary is incorporated or is otherwise organized, the Company Subsidiary’s status for U.S. federal income Tax purposes, and whether an election has been made under Treasury Regulation Section 301.7701-3 with respect to the status of the Company Subsidiary. No Relevant Company has or has had any permanent establishment or other place of business in any country other than the country of its organization.

5.6.16 No Relevant Company has ever held an interest in an entity treated as a partnership (other than a partnership the sole owners of which are Relevant Companies) or a disregarded entity for federal income tax purposes.

5.6.17 The Company does not have an “excess loss account” with respect to stock owned in any Company Subsidiary. No Relevant Company has recognized any item of income, gain, loss, expense or deduction that remains deferred under the intercompany transaction rules of Treasury Regulation Section 1.1502-13 (or similar provision of state, local, or non-U.S. applicable Law).

5.6.18 Except insofar as Section 5.11 relates to Taxes, notwithstanding anything in this Agreement to the contrary, the representations and warranties set forth above in this Section 5.6 shall constitute the sole and exclusive representations and warranties made by the Company with respect to Taxes.

5.7 Real and Personal Property.

5.7.1 The Relevant Companies own no real property and have never owned any real property.

5.7.2 Section 5.7.2 of the Company Disclosure Schedule lists all real property leases to which each Relevant Company is a party, and each amendment thereto setting forth the address of the Leased Real Property and the names of all parties thereto (the “Leases” and the real property subject to such Leases,

the “Leased Real Property”). The Leases are in full force and effect and are valid and effective in accordance with their respective terms, and there is not, under any Lease, any existing default or event of default (or event which with notice or lapse of time, or both, would constitute a default) by any Relevant Company or, to the Company’s Knowledge, any other party thereto. The Company has made available in the Data Room true and complete copies of the Leases, which Leases (i) permit the current occupation and use of the applicable Leased Real Property by each Relevant Company and (ii) shall continue to be valid and binding in accordance with their respective terms immediately following the Effective Time. Except as set forth in Section 5.7.2 of the Company Disclosure Schedule, the Leased Real Property comprises all of the real property occupied or otherwise used by the Relevant Companies. The improvements located on the Leased Real Property are in good operating condition and repair and are adequate and suitable for their current uses by the Relevant Companies. No Relevant Company has entered into any subleases for any portion of the Leased Real Property, nor has any Relevant Company assigned, licensed or otherwise conveyed to any Person any right to use all or any part of the Leased Real Property. Each Relevant Company has obtained all necessary certificates and licenses necessary for the current use and operation of the Leased Real Property, which are in full force and effect and there are no violations of record. To the Company’s Knowledge, there are no actual or threatened condemnation or eminent domain proceedings which would affect the Leased Real Property. The Leased Real Property and the current use of the Leased Real Property pursuant to the Leases comply in all material respects with applicable Law. No consents of any party to any Lease are required in connection with the transaction contemplated by this Agreement.

5.7.3 Except as set forth in Section 5.7.3 of the Company Disclosure Schedule, each Relevant Company has good and marketable title to or holds under valid and enforceable leases all material tangible personal property, free and clear of any Encumbrances, except for Permitted Encumbrances, necessary for the conduct of the business of such Relevant Company as currently conducted. Such tangible personal property of each Relevant Company is in sufficiently good operating condition (except for ordinary wear and tear) to allow such Relevant Company to operate in the ordinary course of business consistent with past practice.

5.8 Intellectual Property.

5.8.1 To the Company’s Knowledge, (i) the use, practice or other exploitation of the Intellectual Property owned, used, practiced or otherwise commercially exploited by any Relevant Company, (ii) the development, manufacturing, licensing, marketing, importation, offer for sale, sale or use of the Product as presently conducted and as currently proposed to be conducted, and (iii) the Relevant Companies’ present and currently proposed business practices and methods, in each case, (A) have not infringed upon, misappropriated or otherwise constituted an unauthorized use of or otherwise violated, (B) do not infringe upon, misappropriate, constitute an unauthorized use of or otherwise violate, and (C) if any products of any Relevant Company currently in development were to be manufactured, licensed, marketed, imported, offered for sale, sold or used as of the date hereof, would not infringe upon, misappropriate, constitute an unauthorized use of or otherwise violate, in each case, the Intellectual Property of any Third Party. No claim has been made to any Relevant Company, nor has any Relevant Company received any other notice alleging, that the conduct of the business of any Relevant Company as presently conducted and as currently proposed to be conducted (including the current or future manufacturing, licensing, marketing, importation, sale, offer for sale or use of the Product or any products of any Relevant Company currently in development) infringes upon, may infringe upon, misappropriates, constitutes an unauthorized use of or otherwise violates the Intellectual Property of any Third Party.

5.8.2 The Company Intellectual Property includes all of the Intellectual Property used by any Relevant Company to conduct its business in the manner in which such business is currently being conducted and currently proposed to be conducted (including the current or future manufacturing, licensing, marketing, importation, sale, offer for sale or use of the Product or any products of any Relevant Company currently in development).

5.8.3 Except as set forth in Section 5.8.3 of the Company Disclosure Schedule, the Company is (i) the sole and exclusive owner of all right, title and interest in and to or (ii) has valid, exclusive and continuing rights to use, sell and license, as the case may be, the Company Intellectual Property, in each case, free and clear of all Encumbrances or obligations to any Third Party. No owned Company Intellectual Property is owned by a Company Subsidiary. “Company Intellectual Property” shall mean all Intellectual Property, in each case, which is currently used, licensed, practiced or otherwise exploited by the Relevant Companies in the conduct of their businesses as currently conducted or currently proposed to be conducted

(including the current or future manufacturing, licensing, marketing, importation, sale, offer for sale or use of the Product or any other products of the Relevant Companies currently in development).

5.8.4 Except for patent applications abandoned or allowed to expire in the ordinary course of patent prosecution, all Registered Company Intellectual Property is pending, issued or registered, as applicable, and, to the Company's Knowledge, is valid, enforceable and in good standing (including, without regard to the Company's Knowledge, the payment of all applicable maintenance fees and other fees, such that no such Registered Company Intellectual Property has been allowed to lapse or become abandoned due to failure to pay a maintenance fee or other fee). No Relevant Company has, and, to the Company's Knowledge, no Third Party that has granted any Relevant Company rights to any Company Intellectual Property has, received any written notice challenging the validity or enforceability of any Company Intellectual Property.

5.8.5 None of the Patents that constitute Company Intellectual Property is involved in any interference, reissue or reexamination proceeding, conflict or opposition proceeding, and, to the Company's Knowledge, there has been no threat or other written indication that any such proceeding shall hereafter be commenced.

5.8.6 Except as set forth in Section 5.8.6 of the Company Disclosure Schedule, (i) no university, Governmental Entity (whether U.S. or non-U.S., federal or state) or other non-profit organization (A) sponsored research and development conducted in connection with the business of any Relevant Company or (B) has any claim of right to, ownership of or other Encumbrance on any Company Intellectual Property and (ii) no inventor of any Patent that constitutes Company Intellectual Property (x) to the Company's Knowledge, was a student, university employee or employee of any Governmental Entity at the time the applicable invention was made or (y) has any claim of right to, ownership of or other Encumbrance on any Company Intellectual Property.

5.8.7 No written or, to the Company's Knowledge, other claim has been made to any Relevant Company or, to the Company's Knowledge, to any Third Party alleging that any Company Intellectual Property is being licensed in conflict with the terms of any Third Party license or other agreement.

5.8.8 Except as set forth in Section 5.8.8 of the Company Disclosure Schedule, to the Company's Knowledge, no Person is engaging in any activity that infringes upon, violates, misuses or misappropriates any Company Intellectual Property, or with respect to products currently under development by others, would constitute an act of infringement if such products were manufactured, marketed, imported, offered for sale, sold or used as of date hereof, and no such claims have been made against any Person by any Relevant Company.

5.8.9 Except as set forth in Section 5.8.9 of the Company Disclosure Schedule, the Company is the sole and exclusive owner of all right, title and interest in the Company Intellectual Property owned or purported to be owned by the Company ("Owned Intellectual Property") free and clear of all Encumbrances or any claims by a Third Party of ownership or inventorship in such Owned Intellectual Property. Section 5.8.9 of the Company Disclosure Schedule contains a true and complete list of all Owned Intellectual Property that is Registered with or applied to be Registered with any Governmental Entity.

5.8.10 Section 5.8.10 of the Company Disclosure Schedule sets forth (i) all licenses, sublicenses and other agreements to which any Relevant Company is a party and pursuant to which any Relevant Company is granted any license or right in or to, or is otherwise authorized to use, exercise or receive any benefit from, any Intellectual Property of any Third Party (the "Inbound Licenses") and (ii) a true and complete list of all Intellectual Property that is Registered, or able to be Registered, and which a Relevant Company is granted any license or right or is otherwise authorized to use, exercise or receive any benefit from pursuant to the Inbound Licenses. Each Relevant Company is in compliance in all material respects with the terms and conditions of the Inbound Licenses.

5.8.11 Section 5.8.11 of the Company Disclosure Schedule sets forth a complete and accurate list of all contracts or agreements to which any Relevant Company is a party (i) granting any Intellectual Property licenses by any Relevant Company to any other Person (the "Ordinary Course Licenses"), (ii) containing a covenant not to compete, exclusivity provision, covenant not to sue, freedom to operate license or otherwise limiting the Company's or its Affiliates' ability to use or exploit fully any of the Company Intellectual Property, or (iii) containing an agreement to indemnify any other Person against any claim of

infringement, violation, misappropriation or unauthorized use of any Intellectual Property (collectively with the Inbound Licenses, the “Company Intellectual Property Licenses”).

5.8.12 Except as set forth in Section 5.8.12 of the Company Disclosure Schedule, no Relevant Company is (nor with the passage of time, the giving of notice or both, will be) required, obligated, or under any Liability whatsoever, to make any payments by way of royalties, fees or otherwise or provide any other consideration of any kind, to any owner or licensor of, or other claimant to, any Intellectual Property, or any other Person, with respect to the use thereof or in connection with the conduct of the business of any Relevant Company as currently conducted or proposed to be conducted (including the current or future manufacturing, licensing, marketing, importation, sale, offer for sale or use of the Product or any product of any Relevant Company currently in development).

5.8.13 Each Relevant Company has taken commercially reasonable measures to protect and maintain the proprietary nature of each item of Company Intellectual Property. Except as set forth in Section 5.8.13 of the Company Disclosure Schedule, all employees and Contract Workers of the Relevant Companies involved in the creation or development of any Company Intellectual Property have assigned all of their right, title and interest in and to such Company Intellectual Property to the Company and are bound by confidentiality obligations through signed agreements containing Intellectual Property assignments and confidentiality provisions in favor of the Company.

5.8.14 No Trade Secret of any Relevant Company used in such Relevant Company’s business as presently conducted or as presently proposed to be conducted (including the current or future manufacturing, licensing, marketing, importation, sale, offer for sale or use of the Product or any product of any Relevant Company currently in development) has been authorized to be disclosed or has been actually disclosed by any Relevant Company to any employee, Contract Worker or any Third Party, in each case, other than pursuant to a written non-disclosure agreement including restrictions on the disclosure and use of the Intellectual Property that constitutes such Trade Secret consistent with best practices in the industry in which the Relevant Companies operate. Each Relevant Company has taken adequate security measures to protect the secrecy, confidentiality and value of all the Trade Secrets of the Relevant Companies, including invention disclosures, not the subject of any issued patents owned or published patent applications owned by the Relevant Companies, which measures are consistent with best practices in the industry in which the Relevant Companies operate. Each current and former employee and Contract Worker of each Relevant Company has entered into valid and enforceable written non-disclosure and invention assignment agreement with such Relevant Company in a form provided to the Parent in the Data Room, and each such agreement includes restrictions on the disclosure and use of Intellectual Property consistent with best practices in the industry in which the Relevant Companies operate. With respect to each Trade Secret of the Relevant Companies, the documentation relating to such Trade Secret is current, accurate, and sufficient in detail and content to identify and explain it and to allow its full and proper use without reliance on the knowledge or memory of any individual. Each Relevant Company has good title and an absolute right to use its Trade Secrets used in its business as presently conducted or as presently proposed to be conducted (including the current or future manufacturing, licensing, marketing, importation, sale, offer for sale or use of the Product or any product of any Relevant Company currently in development). The Trade Secrets of the Relevant Companies are not part of the public knowledge or literature, and have not been used, divulged, or appropriated either for the benefit of any Person (other than the Relevant Companies) or to the detriment of any Relevant Company. No Trade Secret of the Relevant Companies is subject to any adverse claim or has been challenged or threatened in any way.

5.8.15 Neither the execution, delivery or performance of this Agreement, nor the consummation of any of the transactions contemplated by this Agreement, shall result in, or give any other Person the right to cause, (i) a loss of, or Encumbrance or restriction on, any Company Intellectual Property; (ii) a material breach of any Company Intellectual Property Licenses; (iii) the grant, assignment or transfer to any other Person of any license or other rights or interest under any Company Intellectual Property; (iv) payment of any additional fees, or trigger any payment escalation under, any Inbound License; or (v) the loss or impairment, or Encumbrance or restriction on, the Parent’s, the Company’s or either of their respective Affiliates’ right to own or use any of the Company Intellectual Property except as set forth in Section 5.8.15 of the Company Disclosure Schedule.

5.8.16 There are no Orders to which any Relevant Company is a party or by which any Relevant Company is bound that restrict, in any material respect, the right to use any of the Company Intellectual Property.

5.8.17 The Company has provided in the Data Room copies of all standard form agreements used by the Relevant Companies that contain assignment or licenses of Intellectual Property or otherwise relate to Company Intellectual Property.

5.8.18 No present or former employee of the Company or any present or former Affiliate of the Company has any right, title, or interest, directly or indirectly (but not including indirect interests arising solely because of such Person's status as a stockholder of the Company), in whole or in part, in any Intellectual Property owned or used by any Relevant Company.

5.8.19 To the Company's Knowledge, no employee or Contract Worker of any Relevant Company is, as a result of or in the course of such employee's or Contract Worker's engagement by such Relevant Company, in default or breach of any material term of any employment agreement, non-disclosure agreement, assignment of invention agreement or similar agreement.

5.8.20 Section 5.8.20 of the Company Disclosure Schedule sets forth a complete and accurate list of (i) all Software that is owned by each Relevant Company and (ii) all Software that is used by each Relevant Company in the business of the Relevant Companies that is not owned by a Relevant Company, excluding Software available on reasonable terms through commercial distributors or in consumer retail stores for a license fee of no more than \$500 per "seat" annually.

5.8.21 Section 5.8.21 of the Company Disclosure Schedule lists all open source computer code contained in the Product or contained or used in any product or service of any Relevant Company and describes (i) the applicable Software name and version number, (ii) the licensor, (iii) the license under which such code was obtained, (iv) the manner in which such code is used, (v) whether (and if so, how) such code was modified by or for any Relevant Company, (vi) whether such code was distributed by or for any Relevant Company, and (vii) how such code is integrated with or interacts with any other Software. Except as disclosed on Section 5.8.21 of the Company Disclosure Schedule, neither the Product or any product or service of any Relevant Company constitutes, contains, or is dependent on any open source computer code, and neither the Product nor any product or service of any Relevant Company is subject to any contractual obligation that would require any Relevant Company to divulge to any Person any source code is part of the Product or any product or service of any Relevant Company.

5.8.22 Each Relevant Company owns, leases or licenses all Software, hardware, computer and telecommunications equipment and other information technology and related services (collectively, "Information Systems") that are material to the operation of its business as currently conducted, including the capacity and ability to process current peak volumes in a timely manner. Except as set forth on Section 5.8.22 of the Company Disclosure Schedule, in the last 12 months, there have been no material failures, breakdowns, breaches, outages or unavailability of such Information Systems. Upon Closing, except as set forth on Section 5.8.22 of the Company Disclosure Schedule, the Information Systems will be in the possession, custody or control of the Surviving Corporation or its Subsidiaries, along with all tools, documentation, and other materials, as existing immediately prior to the Closing. The transactions contemplated by this Agreement and the other Transaction Documents will not adversely affect the Product or the Information Systems, or any Relevant Company's legal right and ability to continue using the Product and the Information Systems, and operating each Relevant Company's business after the Closing Date to the same extent as each of the Product and the Information Systems, respectively, are used or such Relevant Company's business is operated prior to the Closing Date.

5.9 Compliance with Laws and Orders; Permits.

5.9.1 Each Relevant Company is and at all times since January 1, 2013 (or, in the case of any Relevant Company formed following January 1, 2013, since such Relevant Company's date of formation), has been in compliance in all material respects with all Orders and Laws applicable to such Relevant Company, its business operations or assets. No investigation or review by any Governmental Entity is pending against any Relevant Company or has since January 1, 2013 (or, in the case of any Relevant Company formed following January 1, 2013, since such Relevant Company's date of formation) been threatened in writing against such Relevant Company. To the Company's Knowledge, no director, officer or member of the management team of any Relevant Company is or has been charged with or is under investigation in matters including without limitation any fraud, financial misconduct, insider trading or criminal acts while acting on behalf of any Relevant Company.

5.9.2 The Relevant Companies hold all permits, licenses, authorizations, approvals, registrations, certificates, exemptions and orders from Governmental Entities necessary for the operation of the business of the Relevant Companies as currently conducted or currently proposed to be operated, including but not limited to, distributor or wholesale licenses or permits, registration notifications or their foreign equivalents required for the research, development, manufacture, distribution, marketing, storage, import, export, transportation, use or sale of the Relevant Companies' products, except for such permits, licenses, authorizations, approvals, registrations, certificates, exemptions and orders from Governmental Entities, which the failure to hold would not be reasonably likely to be material to the Company and that the Company believes it can obtain without undue burden or expense (collectively, the "Company Permits"). The Relevant Companies are in compliance in all material respects with the terms of all Company Permits and all material Company Permits are valid and subsisting in full force and effect. Section 5.9.2 of the Company Disclosure Schedule contains a true and complete list of all Company Permits. There are no Actions pending or, to the Company's Knowledge, threatened, relating to the suspension, revocation or modification of any Company Permit. None of the Company Permits will be impaired or in any way affected by the consummation of the transactions contemplated by this Agreement or the other Transaction Documents.

5.9.3 All compensation and benefits, including stock, stock options and other equity grants, provided at any time by or on behalf of any Relevant Company to any physician or other healthcare provider for consulting services to or any other services for the benefit of any Relevant Company are and were at the time of grant (i) consideration for services actually performed or to be performed by such health care provider, (ii) reasonable in light of the services provided, and (iii) consistent with the standards of the industry in which such Relevant Company operates.

5.9.4 Each Relevant Company's use and dissemination of any personally-identifiable information concerning individuals is in compliance in all material respects with all applicable Laws, and contractual obligations applicable to such Relevant Company or to which such Relevant Company is bound, including the Health Insurance Portability and Accountability Act, the HITECH Amendment, the EU Directive 95/46/EC, and all similar Laws. Each Relevant Company maintains policies and procedures regarding data security and privacy and maintains administrative, technical, and physical safeguards that are commercially reasonable and, in any event in compliance in all material respects with all applicable Laws and contractual obligations applicable to such Relevant Company or to which such Relevant Company is bound. Other than as set forth in Section 5.9.4 of the Company Disclosure Schedule, to the Company's Knowledge there have been no security breaches relating to, or violations of, any security policy regarding, or any unauthorized access of, any data or information used by any Relevant Company. The transactions contemplated by this Agreement and the other Transaction Documents will not, as of the Closing, violate in any material respect any privacy policy, terms of use, Law or contractual obligations of any Relevant Company relating to the use, dissemination, or transfer of any data or information.

5.10 Litigation. Except as set forth in Section 5.10 of the Company Disclosure Schedule, there is no Action pending and there has not been since January 1, 2013 any Action against any Relevant Company or to which any Relevant Company is otherwise a party, or to the Company's Knowledge, threatened against any Relevant Company by any Person. To the Company's Knowledge, no event has occurred that is reasonably likely to give rise to or serve as a basis for the commencement of any such Action. No Relevant Company is subject to any Order, and no Relevant Company is in breach or violation of any Order. There is no Action pending, or to the Company's Knowledge, threatened which questions the validity of this Agreement or any of the other Transaction Documents or the right of the Company to enter into this Agreement or any of the other Transaction Documents, or the consummation of the transactions contemplated hereby and thereby. There is no Action brought by any Relevant Company currently pending or which any Relevant Company intends to initiate.

5.11 Employee Benefit Plans.

5.11.1 Section 5.11.1 of the Company Disclosure Schedule sets forth a true and complete list of each Benefit Plan. The Company has made available in the Data Room the following documents to the Parent with respect to each such Benefit Plan: (i) the current version of each such Benefit Plan, including all amendments thereto; (ii) the most recent determination or opinion letter (if any) from the IRS with respect to any such Benefit Plan; (iii) a written description of any such Benefit Plan that is not set forth in a written document; (iv) the most recent summary plan description together with the summary or summaries of material modifications thereto, if any; (v) the most recent annual report (Form Series 5500 and all schedules and financial statements attached thereto), if any; (vi) all current trust agreements, investment contracts, and insurance contracts, if any; (vii) the most recent actuarial valuation report, if any; and (viii) all material

correspondence to or from the IRS, Department of Labor, Pension Benefit Guaranty Corporation or any other Governmental Entity with respect to any such Benefit Plan since January 1, 2015.

5.11.2 Each Benefit Plan has been maintained and administered in all material respects in compliance with its terms and with the requirements prescribed by any and all applicable Law (including ERISA and the Code) and other agreements and instruments which are applicable to such Benefit Plans. All contributions, reserves or premium payments required to be made or accrued with respect to the Benefit Plans for all periods ending on or prior to the Closing Date have been made or accrued. Each Benefit Plan is and has been in documentary and operational compliance, in all material respects, with Section 409A of the Code and the regulations thereunder to the extent applicable. Each Benefit Plan intended to be qualified under Section 401(a) of the Code and each trust intended to qualify under Section 501(a) of the Code is so qualified and has obtained a favorable determination, advisory and/or opinion letter, as applicable, as to its qualified status (or the qualified status of the master or prototype form on which it is established) from the IRS and, to the Company's Knowledge, there are no existing circumstances or any events that have occurred that would reasonably be expected to adversely affect such favorable determination. No services are provided to any Relevant Company by any "leased employee," as that term is defined under Section 414(n) of the Code. No Benefit Plan provides for any participating employers other than a Relevant Company. Each Company Option was granted with an exercise price per share of Company Common Stock no less than the fair market value of a share of Company Common Stock on the date of the grant, as such fair market value is determined pursuant to Section 409A of the Code. Section 5.11.2 of the Company Disclosure Schedule sets forth each former employee of each Relevant Company or its ERISA Affiliates entitled to COBRA benefits and the remaining period of such benefits.

5.11.3 Each Benefit Plan that is subject to Laws other than the federal, state or local laws of the United States (i) has, to the extent intended or required to be qualified, approved or registered by or with a Governmental Entity, been so qualified, approved or registered by or with such Governmental Entity and has been maintained in good standing, and, to the Company's Knowledge, no event has occurred or condition exists that would reasonably be expected to jeopardize such qualification, approval, registration or good standing, as applicable; (ii) that is intended to qualify for special Tax treatment meets all requirements for such treatment; and (iii) is fully funded or book reserved, as appropriate, based upon reasonable actuarial assumptions and does not have unfunded liabilities that could reasonably be or expected to be imposed upon the assets of any Relevant Company.

5.11.4 Neither the Company nor any ERISA Affiliate currently maintains, sponsors, contributes to or is required to contribute to, or has at any time in the past maintained, sponsored, contributed to or been required to be contributed to (i) a "multiemployer plan" as defined in Section 3(37) of ERISA, (ii) a plan subject to Title IV of ERISA, (iii) a plan maintained in connection with any trust described in Section 501(c)(9) of the Code or (iv) a "multiple employer welfare arrangement" within the meaning of Section 3(40) of ERISA (a "MEWA"). If any Benefit Plan is a MEWA, the benefits thereunder are fully insured. Neither the Company nor any ERISA Affiliate has any Liability to the Pension Benefit Guaranty Corporation or under Title IV of ERISA or under Section 412 or 430 of the Code.

5.11.5 No Benefit Plan provides or has at any time provided retiree life insurance, retiree health or other retiree employee welfare benefits to any current or former employee, except (i) as may be required by COBRA or other applicable federal, state or local statute and (ii) disability benefits that have been fully provided for by insurance under one or more Benefit Plans set forth in Section 5.11.1 of the Company Disclosure Schedule.

5.11.6 No Relevant Company is subject to any Liability or penalty under Sections 4975 through 4980B of the Code or Title I of ERISA. No "prohibited transaction," within the meaning of Section 4975 of the Code or Sections 406 or 407 of ERISA and not otherwise exempt under Section 408 of ERISA, has occurred and remains uncorrected with respect to any Benefit Plan. No action, suit or claim (excluding claims for benefits incurred in the ordinary course) has been brought, is pending or, to the Company's Knowledge, is threatened against or with respect to any Benefit Plan. There are no audits, inquiries or proceedings pending or, to the Company's Knowledge, threatened by the IRS, Department of Labor or other Governmental Entity with respect to any Benefit Plan. There is and has been no material violation of ERISA with respect to the filing of applicable reports, documents, and notices regarding past or present Benefit Plans with the Secretary of Labor or the Secretary of the Treasury or the furnishing of such documents to the participants or beneficiaries of such Benefit Plans.

5.11.7 Except as set forth in Section 5.11.7(a) of the Company Disclosure Schedule or as expressly contemplated by this Agreement, the execution of this Agreement and the consummation of the transactions contemplated by this Agreement (alone or together with any other event which, standing alone, would not by itself trigger such entitlement or acceleration) shall not (i) entitle any Person to any payment, vesting, distribution or increase in compensation or benefits under or with respect to any Benefit Plan or (ii) otherwise trigger any acceleration (of vesting, funding or payment of benefits or otherwise) under or with respect to any Benefit Plan. Except as set forth in Section 5.11.7(b) of the Company Disclosure Schedule, there are no contracts or arrangements providing for payments that could subject any Person to liability for tax under Section 4999 of the Code or cause the loss of a deduction to any Relevant Company under Section 280G of the Code.

5.11.8 The Relevant Companies do not have any obligation to gross up, indemnify or otherwise reimburse any current or former service provider to a Relevant Company for any tax incurred by such service provider pursuant to Sections 409A or 4999 of the Code.

5.11.9 There have been no statements, either written or oral, or communications made or materials provided to any employee or former employee of any Relevant Company or any ERISA Affiliate by any Person on behalf of any Relevant Company that provide for or could be construed as a contract or promise by any Relevant Company or any ERISA Affiliate to provide for any pension, welfare, or other insurance-type benefits to any such employee or former employee, whether before or after retirement, other than benefits under the Benefit Plans.

5.12 Employee Matters.

5.12.1 The Relevant Companies are in compliance in all material respects with all Employment Laws, contracts and policies relating to employment, employment practices, wages, hours and terms and conditions of employment. With respect to each current and former employee of the Relevant Companies, the Relevant Companies: (i) have withheld and reported all amounts required by Law or by agreement to be withheld and reported with respect to wages, salaries and other payments to such employee; (ii) is not liable for any arrears of wages, severance pay or other amounts due to such employees, including pursuant to any contract, policy, practice or applicable Law; and (iii) is not liable for any payment to any trust or other fund governed by or maintained by or on behalf of any Governmental Entity, with respect to unemployment compensation benefits, social security or other benefits or obligations for such employee (other than routine payments to be made in the normal course of business and consistent with past practice). There are no administrative charges, court complaints or arbitrations pending or, to the Company's Knowledge, threatened against the Relevant Companies before the U.S. Equal Employment Opportunity Commission or any federal, foreign, state or local court or agency or arbitrator relating to any labor, safety or employment matters, nor, to the Company's Knowledge, is there any basis for any such charge, complaint or arbitration, nor have any such charges, complaints or arbitrations been filed. The Relevant Companies are not and have not been since January 1, 2013 an employer covered by the Worker Adjustment and Retraining Notification Act or any similar state law nor have they effectuated a "plant closing," "termination," "relocation," or "mass layoff" as those terms are defined in the Worker Adjustment and Retraining Notification Act and similar Laws. None of the Relevant Companies' employment policies or practices is currently being audited or, to the Company's Knowledge, investigated by any Governmental Entity.

5.12.2 The Relevant Companies are not party to any collective bargaining agreement or other labor union contract, nor is any such contract being negotiated by the Relevant Companies. None of the Relevant Companies' employees or Contract Workers are represented by a labor union or labor organization and to the Company's Knowledge, there are no organizing, election or other activities pending or threatened by or on behalf of any union, works council, employee representative or other labor organization or group of employees with respect to any employees or Contract Workers. There is no union, works council, employee representative or other labor organization, which, pursuant to applicable Law, must be notified or consulted or with which negotiations need to be conducted in connection with the transactions contemplated by this Agreement. The Relevant Companies are not engaged in any unfair labor practice and there are no, and within the past six years there have been no (i) unfair labor practice charge or complaint pending against the Relevant Companies or, to the Company's Knowledge, threatened against the Relevant Companies before the National Labor Relations Board; (ii) strike, labor dispute, slow down or work stoppage pending against the Relevant Companies or, to the Company's Knowledge, has been threatened against the Relevant Companies; and (iii) Actions or controversies with respect to Employment Laws matters (including, relating to or asserting allegations of employment discrimination, harassment, retaliation, misclassification, wage and/or hour violations or unfair labor practices) existing, pending or, to the Company's Knowledge, threatened against or

involving the Relevant Companies in any judicial, regulatory or administrative forum, or under any private dispute resolution procedure by any of their respective current and former employees or Contract Workers. The Relevant Companies are not party to, or otherwise bound by, any consent decree with, or citation or other Order by, any Governmental Entities relating to employees or employment practices.

5.12.3 Each individual that renders services to the Relevant Companies that is classified as (i) a Contract Worker or other non-employee status or (ii) an exempt and non-exempt employee, is properly characterized as such for all purposes, including (a) Tax and Tax reporting, (b) Fair Labor Standards Act and similar state Laws purposes and (c) applicable non-Tax Laws governing the payment of wages (including overtime), and the Relevant Companies have properly classified and treated them in accordance with all applicable Laws and for purposes of all applicable Relevant Companies plans and perquisites. The Relevant Companies have no Liability for any misclassification of any employee as an independent contractor or any non-exempt employee as an exempt employee.

5.12.4 All persons employed by the Relevant Companies are employees at will or otherwise employed such that the employing Relevant Company may lawfully terminate their employment at any time, with or without cause, without creating any material cause of action against any Relevant Company or otherwise giving rise to any material liability of any Relevant Company for wrongful discharge, breach of contract or tort or any other similar cause at law or in equity. A true and correct copy of any form of non-competition, non-solicitation or confidentiality agreement currently in force with any of the employees or Contract Workers of the Relevant Companies, and any material variances therefrom, has been provided to the Parent in the Data Room.

5.12.5 Section 5.12.5 of the Company Disclosure Schedule sets forth the following: a true, complete and accurate list of each current employee or Contract Worker of each Relevant Company, his or her date(s) of hire, position and title (if any), location, current rate of compensation (including bonuses, commissions and incentive compensation, if any), and in the case of an employee, whether such employee is hourly or salaried, whether such employee is classified under applicable Employment Laws as exempt or non-exempt for overtime pay, the number of such employee's accrued sick days and vacation days, leave of absence status and, if so, the date such employee became inactive, the reason for such inactive status and, if applicable, the anticipated date of return to active employment, full-time, part-time, temporary or seasonal employee status, and employee or Contract Worker/non-employee classification. Except as set forth in Section 5.12.5 of the Company Disclosure Schedule, the Relevant Companies have no unsatisfied liability to any previously terminated employee or Contract Worker. The Relevant Companies have disclosed all written employee handbooks, policies, programs and arrangements to the Parent.

5.12.6 As of the date hereof, no key employee or Contract Worker of the Relevant Companies has given written notice to the Relevant Companies that any such employee or Contract Worker intends to terminate his or her employment or relationship with the Relevant Companies.

5.13 Environmental Matters.

5.13.1 Each Relevant Company is and has been since January 1, 2013 (or, in the case of any Relevant Company formed following January 1, 2013, since such Relevant Company's date of formation) in compliance, in all material respects, with all applicable Environmental Laws. No Relevant Company has received any oral or written communication that alleges that any Relevant Company is not in compliance in all material respects with all applicable Environmental Laws. There is no Environmental Claim pending or, to the Company's Knowledge, threatened against any Relevant Company. There are no material Liabilities of or relating to any Relevant Company arising under or relating to any Environmental Law or any Environmental Materials. No Relevant Company is subject to any Order or other agreement with any Governmental Entity relating to Environmental Law, nor has any Relevant Company entered into or assumed by contract or operation of Law any Liability under Environmental Law. To the Company's Knowledge, no circumstances or conditions involving any Relevant Company, including the use, storage, treatment or disposal of Environmental Materials, would reasonably be expected to result in any Relevant Company incurring any Liability under Environmental Law.

5.13.2 Except as disclosed in Section 5.13.2 of the Company Disclosure Schedule, (i) all material permits, registrations, licenses and authorizations required to be obtained or filed by any Relevant Company under any applicable Environmental Laws, including those activities relating to the generation, use, storage, treatment, disposal, handling, management, procurement, distribution, Release or remediation of

Environmental Materials, have been duly obtained or filed, and (ii) each Relevant Company is in compliance in all material respects with the terms and conditions of such permits, registrations, licenses and authorizations.

5.13.3 The Company has made available in the Data Room all material environmental site assessments and reports and all environmental, health and safety audits related to its facilities and operations that are within the custody or control of any Relevant Company, and all material correspondence with any Governmental Entity or other Persons with respect to any Environmental Claims and the Relevant Companies' compliance with or Liability under Environmental Laws.

5.14 Material Contracts.

5.14.1 Section 5.14.1 of the Company Disclosure Schedule sets forth a true, correct and complete list of all of the Material Contracts in effect as of the Execution Date. The Company provided to the Parent in the Data Room true, correct and complete copies of each Material Contract, together with all amendments, modifications or supplements thereto.

5.14.2 Each Material Contract is in full force and effect and is the legal, valid and binding obligation of the applicable Relevant Company, enforceable against such Relevant Company in accordance with its terms. Further, (i) no Relevant Company is in breach of or default in any material respect under any Material Contract; (ii) to the Company's Knowledge, no other party to any Material Contract is in breach of or default in any material respect under such Material Contract; (iii) no Relevant Company has received any written or oral notice of termination, or intent to terminate, any Material Contract; (iv) to the Company's Knowledge, no event has occurred that, with the giving of notice or lapse of time or both, would constitute a breach thereof or default thereunder by any Relevant Company or any other party to such Material Contract or would permit the modification or premature termination of such Material Contract by any other party thereto; and (v) consummation of the transactions contemplated by this Agreement and the other Transaction Documents to which the Company is or shall be a party do not, and the performance by the Company of the transactions contemplated hereby and thereby shall not, constitute a default or breach (or an event which with notice or lapse of time or both would become a default or breach) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of any Liability or the loss of any material benefit or result in the creation of any Encumbrance on any of the properties or assets of any Relevant Company pursuant to any Material Contract.

5.14.3 "Material Contract" shall mean any contract, agreement or other binding arrangement to which any Relevant Company is a party or by which any Relevant Company is bound that:

5.14.3.1 involves expected receipts or expenditures in excess of \$100,000 in the aggregate in the current or any future Calendar Year (other than employment agreements or arrangements), and which is not cancelable (i) without penalty or further payment or (ii) without more than 30 days' notice;

5.14.3.2 is a Company Intellectual Property License or other contract or agreement pursuant to which any Relevant Company has obtained from or granted to any Person any right, title or interest in, under or to any Intellectual Property (other than Ordinary Course Licenses or contracts granting rights to use readily available shrink wrap or click wrap Software having a replacement cost and annual license fee of less than \$100,000 for such contract);

5.14.3.3 imposes on the Relevant Company obligations to research, develop, manufacture, or commercialize the Product;

5.14.3.4 is a lease or sublease of any real property, including the Leases;

5.14.3.5 is a capital lease, as determined in accordance with GAAP or IFRS, as applicable to the Relevant Company;

5.14.3.6 provides for a loan or advance of any amount to any other Person, other than a director or officer of any Relevant Company solely for travel and other appropriate business expenses in the ordinary course of business;

5.14.3.7 is a joint venture, strategic alliance, partnership or other contract or agreement involving any joint ownership or sharing of any business, venture or enterprise, or a sharing of

profits or losses, or pursuant to which any Relevant Company has any ownership or control interest in any other Person or business enterprise;

5.14.3.8 (i) contains any covenant or other agreement limiting the right or ability of the Company or its Affiliates to (A) manufacture, research, develop, distribute, sell or otherwise commercialize any products, (B) solicit for employment or hire any employees of any other Person, or (C) engage in any line of business or to compete (geographically or otherwise) with any Person, (ii) granting any exclusive rights to make, sell or distribute any of the Company's products, or (iii) granting any "most favored nation" or similar rights;

5.14.3.9 involves any union contract or collective bargaining agreement;

5.14.3.10 involves payments by any Relevant Company based, in whole or in part, on profits, revenue, fee income or other financial performance measures of such Relevant Company;

5.14.3.11 involves payments by any Relevant Company of any royalties, earnouts, development or commercialization milestones or similar payments;

5.14.3.12 is a warranty, guaranty, or surety, or indemnification, direct or indirect, or other similar undertaking by any Relevant Company;

5.14.3.13 was entered into relating to the purchase or sale of assets of any Relevant Company outside the ordinary course of business and that involves an amount or value in excess of \$100,000;

5.14.3.14 relates to sale of any of the material assets of any Relevant Company other than in the ordinary course of such Relevant Company's business or for the grant to any Person of any preferential rights to purchase any of the Relevant Companies' assets;

5.14.3.15 relates to the acquisition (by merger, purchase of stock or assets or otherwise) by any Relevant Company of any operating business or material assets or the capital stock of any other Person;

5.14.3.16 relates to the incurrence, assumption or guarantee of any Indebtedness of \$50,000 or more or imposing an Encumbrance on any of the assets of any Relevant Company, including indentures, guarantees, loan or credit agreements, sale and leaseback agreements, purchase money obligations incurred in connection with the acquisition of property, mortgages, pledge agreements, security agreements, or conditional sale or title retention agreements;

5.14.3.17 obligates any Relevant Company to provide or obtain products or services for a period of one year or more or requiring any Relevant Company to purchase or sell a stated portion of its requirements or outputs, including any "take or pay" or minimum purchase obligations;

5.14.3.18 provides for severance, retention, change in control or other similar payments that would become payable, directly or indirectly, by reason of the execution of this Agreement or the consummation of the transactions contemplated hereby;

5.14.3.19 is a management or employment contract or contract with a Contract Worker (or similar arrangement) providing annual compensation in excess of \$75,000;

5.14.3.20 contains provisions pursuant to which material rights of any Third Party are triggered or become exercisable as a result of the execution of this Agreement or the consummation of the transactions contemplated hereby;

5.14.3.21 contains an option (other than Company Options, employment agreements or arrangements), grants any right of first refusal, right of first negotiation or right of first offer in favor of any Person;

- 5.14.3.22 involves any resolution or settlement in an amount in excess of \$100,000 of any Action;
- 5.14.3.23 is between or among the Company, on the one hand, and any Affiliate of the Company or any director or officer of the Company or its Affiliates, on the other hand;
- 5.14.3.24 any Governmental Entity is a party to; or
- 5.14.3.25 is not otherwise described in this Section 5.14.3 and, is otherwise material to the business or operations of any Relevant Company.

5.15 Brokers' and Finders' Fees. Except as set forth in Section 5.15 of the Company Disclosure Schedule, no Relevant Company has incurred, nor shall any Relevant Company incur, any Liability for financial advisors', brokerage or finders' fees or agents' fees, expenses or commissions in connection with this Agreement or any transaction contemplated hereby.

5.16 Insurance Section 5.16 of the Company Disclosure Schedule sets forth a list of each insurance policy relating to the business, operations and assets of the Relevant Companies as of the Execution Date. There is no claim pending under any such policy or any fidelity bond as to which coverage has been questioned, denied or disputed by the underwriter of such policy or bond. All premiums due and payable under all such policies and bonds have been paid, and each Relevant Company is otherwise in compliance in all material respects with the terms of such policies and bonds. The insurance policies set forth in Section 5.16 of the Company Disclosure Schedule are of such types, in such amounts and for such risks, casualties and contingencies as are reasonably adequate to fully insure each Relevant Company against insurable losses, damages and claims to such Relevant Company's business, properties, assets and operations. To the Company's Knowledge, there is no threatened termination of, or material premium increase with respect to, any of such policies or bonds. The Company has made available in the Data Room true, accurate and complete copies of such insurance policies.

5.17 Minutes and Stock Records. The minute books of each Relevant Company for the past three years (or, in the case of any Relevant Company formed within the past three years, since such Relevant Company's date of formation) contain records that are true and complete in all material respects of all meetings and consents in lieu of meetings of such Relevant Company's board of directors (or equivalent) and any committees thereof (whether permanent or temporary) and of its stockholders (or equivalent equityholders), and such minutes truly and completely reflect all material transactions referred to in such minutes and consents. The stock books of each Relevant Company accurately reflect the ownership of the Company Capital Stock or equity interest in any Company Subsidiary, as applicable. The Company has made available in the Data Room true and complete copies of the minutes, consents and stock books of each Relevant Company for the past three years (or, in the case of any Relevant Company formed within the past three years, since such Relevant Company's date of formation).

5.18 Related Party Transactions. Except as set forth in Section 5.18 of the Company Disclosure Schedule, no (a) individual who is an officer, director or employee of any Relevant Company; (b) Company Holder who owns of record in excess of 5% of the outstanding Company Capital Stock on a fully diluted basis; (c) holder of equity interest in any Company Subsidiary who owns of record in excess of 5% of the outstanding or equity in any Company Subsidiary on a fully diluted basis; (d) to the Company's Knowledge, member of the immediate family of each of the individuals referred to in clauses (a), (b) and (c) above, where "immediate family" shall mean such individual's spouse and minor children living in such individual's home; or (e) to the Company's Knowledge, trust or other entity, other than any Relevant Company, in which any one of the individuals referred to in clauses (a), (b) (c) and (e) above holds, or in which more than one of such individuals collectively hold, beneficially or otherwise, a material voting, proprietary, equity or other financial interest (any such Person, a "Related Party") (i) has any direct or indirect interest in any material asset used in the business of any Relevant Company as currently conducted or currently planned to be conducted; (ii) is indebted for any material amount to any Relevant Company other than travel advances in the ordinary course of business; (iii) has entered into, or has had any direct or indirect financial interest in, any Material Contract entered into by any Relevant Company; and (iv) has any claim, cause of action or other Liability to or by any Relevant Company, in each case, other than pursuant to any agreement relating to the employment of any employee or Contract Worker of such Relevant Company, the indemnification of any director or officer of such Relevant Company, any Benefit Plan, any travel advances in the ordinary course of business, or any agreement set forth in Section 5.2.4 of the Company Disclosure Schedule. Except as set forth in Section 5.18

of the Company Disclosure Schedule, to the Company's Knowledge, no Contract Worker providing services to any Relevant Company has any direct or indirect interest (including any equity interest or other financial interest) in any Related Party.

5.19 Distributors; Suppliers.

5.19.1 Section 5.19.1 of the Company Disclosure Schedule sets forth a list of the 10 largest distributors and 10 largest suppliers of the Relevant Companies, as measured by the dollar amount of purchases, or sales, as applicable, therefrom, during each of the three most recently completed fiscal years, showing the approximate total purchases and sales, as applicable, by the Relevant Companies from each such supplier and to each such distributor, as applicable, during such period.

5.19.2 Since the Balance Sheet Date, no distributor or supplier listed on Section 5.19.1 of the Company Disclosure Schedule has terminated its relationship with any Relevant Company or materially reduced or changed the pricing or other terms of its business with any Relevant Company and, to the Company's Knowledge, no distributor or supplier listed on Section 5.19.1 of the Company Disclosure Schedule has notified any Relevant Company that it intends to terminate or materially reduce or change the pricing or other terms of its business with any Relevant Company.

5.20 Product Warranty; Product Liability. To the Company's Knowledge, no Relevant Company has any Liability arising out of any injury to individuals or property as a result of the ownership, possession, or use of any product designed, manufactured, assembled, repaired, maintained, delivered, distributed, sold or installed, or services rendered, by or on behalf of such Relevant Company. To the Company's Knowledge, no Relevant Company has committed any act or failed to commit any act, which would result in, and there has been no occurrence which would give rise to or form the basis of, any product Liability or Liability for breach of warranty (whether covered by insurance or not) on the part of any Relevant Company with respect to products designed, manufactured, assembled, repaired, maintained, delivered, distributed, sold or installed or services rendered by or on behalf of any Relevant Company. Each product designed, manufactured, assembled, repaired, maintained, delivered, distributed, sold or installed, and all services rendered, by or on behalf of the Relevant Companies have been in conformity in all material respects with all applicable commitments and warranties as set forth in the Relevant Companies' contracts. Except as set forth in Section 5.20 of the Company Disclosure Schedule, no Relevant Company has designed, manufactured, assembled, repaired, maintained, delivered, distributed, sold or installed any product, or rendered services, that included a warranty for a period of longer than one year. Set forth on Section 5.20 Company Disclosure Schedule are all standard forms of warranty used in connection with the business of the Relevant Companies.

5.21 Medical Products.

5.21.1 With respect to each product subject to the FDCA or similar Laws in any non-United States jurisdiction that is researched, developed, manufactured, tested, distributed, sold and/or marketed by or on behalf of any Relevant Company (each, a "Medical Product"), the activities carried out by or on behalf of any Relevant Company with respect to the Medical Products, and the Medical Products themselves, have been and remain in material compliance with the requirements of the FDCA and all similar Laws regulating the research, development, manufacturing, testing, distribution, sale, marketing, and reimbursement of similar products.

5.21.2 The activities carried out by or on behalf of any Relevant Company with respect to the Medical Products have been and remain in material compliance with applicable regional and country ethical codes pertaining to similar products, including without limitation the MedTech Europe Code of Ethical Business Practice, the Advanced Medical Technology Association Code of Ethics on Interactions with Healthcare Professionals, and the American Medical Association's guidelines on gifts to physicians.

5.21.3 No Relevant Company has received any notice (written or otherwise) from FDA or any other Governmental Entity alleging that a Relevant Company or its employees or agents is or may be in material violation of the FDCA or similar applicable Laws regulating the research, development, manufacturing, testing, distribution, sale, marketing, and reimbursement of any Medical Product.

5.21.4 All manufacturing operations relating to the Medical Products conducted by or on behalf of a Relevant Company are being, and have been, carried out in material compliance with applicable

FDA, International Standards Organization, and similar applicable Laws relating to quality system regulation and good manufacturing practices.

5.21.5 All human clinical studies conducted by or on behalf of a Relevant Company are being, and have been, carried out in material compliance with (i) applicable FDA, International Conference on Harmonization, International Standards Organization, and similar applicable Laws relating to good clinical practices and clinical study registration and disclosure; and (ii) applicable Laws pertaining to reimbursement from Governmental Entities and third-party payors for items and services furnished to subjects as part of a human clinical study.

5.21.6 There are no ongoing or completed proceedings undertaken by FDA or any other applicable Governmental Entity to (i) recall, hold, detain, or seize any Medical Product; (ii) enjoin or materially limit the manufacturing, clinical study, distribution, sale, marketing or reimbursement of any Medical Product; or (iii) suspend or withdraw any Regulatory Approval relating to the manufacturing, clinical study, distribution, sale, marketing or reimbursement of any Product.

5.21.7 No false statements of material fact have been made by or, to the Company's Knowledge, on behalf of any Relevant Company to FDA or to any other applicable Governmental Entity responsible for regulating the manufacturing, clinical study, distribution, sale, marketing or reimbursement of any Medical Product.

5.21.8 No Relevant Company and, to the Company's Knowledge, none of their respective employees or contractors have been debarred or otherwise prohibited from participating in any program administered by FDA or any other applicable Governmental Entity responsible for regulating the manufacturing, clinical study, distribution, sale, marketing or reimbursement of a Medical Product or any similar product.

5.22 Anti-Corruption Laws.

5.22.1 Neither the Company nor any of its Affiliates nor any of their respective Representatives has, directly or indirectly through its Representatives or any Person authorized to act on its behalf (including any distributor, agent, sales intermediary or other Third Party), (i) taken any action in violation of any applicable Anti-Corruption Laws or (ii) offered, paid, promised to pay, or authorized the payment of any money, or offered, given, promised to give, or authorized the giving of anything of value, to any Government Official or to any other Person: (A) for the purpose of (1) improperly influencing any act or decision of any Government Official in their official capacity; (2) inducing any Government Official to do or omit to do any act in violation of their lawful duties; (3) securing any improper advantage; (4) inducing any Government Official to improperly influence or affect any act or decision of any Governmental Entity; or (5) assisting the Company or any of its Affiliates or any of their respective Representatives in obtaining or retaining business for or with, or directing business to, the Company or any of its Affiliates or any of their respective Representatives; or (B) in a manner which would constitute or have the purpose or effect of public or commercial bribery, acceptance of, or acquiescence in extortion, kickbacks, or other unlawful or improper means of obtaining business or any improper advantage.

5.22.2 There have been no false or fictitious entries made in the books and records of any Relevant Company relating to any unlawful offer, payment, promise to pay, or authorization of the payment of any money, or unlawful offer, gift, promise to give, or authorization of the giving of anything of value, including any bribe, kickback or other illegal or improper payment, and neither the Company nor any of its Affiliates has established or maintained a secret or unrecorded fund.

5.22.3 Neither the Company nor any of its Affiliates nor, to the Company's Knowledge, any of its or their respective directors, officers, employees or other Representatives has been convicted of violating any Anti-Corruption Laws or subjected to any investigation or proceeding by a Governmental Entity for potential corruption, fraud or violation of any applicable Anti-Corruption Laws.

5.22.4 Neither the Company nor any of its Affiliates, nor any of their respective distributors, Representatives, sales intermediaries or other Third Parties acting on behalf of any Relevant Company or any of their Affiliates, has taken any action in violation of any applicable export control Laws, trade or economic sanctions Laws, or anti-boycott Laws of the United States or any other jurisdiction, including: The Arms Export Control Act (22 U.S.C.A. § 2278), the Export Control Reform Act of 2018, the International Traffic in

Arms Regulations (22 C.F.R. 120-130), the Export Administration Regulations (15 C.F.R. 730 et seq.), the Office of Foreign Assets Control Regulations (31 C.F.R. Chapter V), the Customs Laws of the United States (19 U.S.C. § 1 et seq.), the International Emergency Economic Powers Act (50 U.S.C. § 1701-1706), the U.S. Commerce Department antiboycott regulations (15 C.F.R. 560), the U.S. Treasury Department antiboycott requirements (26 U.S.C. § 999), any other export control regulations issued by the agencies listed in Part 730 of the Export Administration Regulations, or any applicable non-U.S. Laws of a similar nature. Each Relevant Company has obtained all material export licenses, license exceptions and other consents, notices, waivers, approvals, Orders, permits, authorizations, registrations, declarations, classifications and filings required for the export, import and re-export of their respective products, services, Software, Information Systems and technology. There are no material pending or, to the Company's Knowledge, threatened Actions, demand letters, settlements or enforcement actions involving the Company or any of its Affiliates relating to Laws identified in this Section 5.22.4. Neither the Company nor its Affiliates produces, designs, tests, manufactures, fabricates, or develops one or more "critical technologies" as defined in the Defense Production Act of 1950, as amended, 50 U.S.C. § 4565, and the associated CFIUS regulations at 31 C.F.R. Part 800 *et seq.*

5.23 Distribution of Merger Consideration. When distributed in accordance with the terms of this Agreement, the Total Merger Consideration will have been distributed to the Company Holders in accordance with the provisions of the Company Charter Documents, the Company Governing Agreements and any other document or agreement among the Company and/or the Company Holders related to the distribution of the Total Merger Consideration.

ARTICLE 6 REPRESENTATIONS AND WARRANTIES REGARDING THE PARENT AND THE MERGER SUB

Each of the Parent and the Merger Sub makes the representations and warranties set forth in this Article 6 to the Company and, when such representations and warranties are made following its joinder in accordance with Section 10.1, the Stockholder Representative:

6.1 Organization of the Parent and the Merger Sub. Each of the Parent and the Merger Sub is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. Each of the Parent and Merger Sub is duly qualified to do business in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its respective activities makes such qualification necessary under applicable Law, except where the failure to be so qualified would not have a Parent Material Adverse Effect.

6.2 Authority; Non-Contravention.

6.2.1 Each of the Parent and the Merger Sub has all requisite corporate power and authority to enter into this Agreement and the other Transaction Documents to which it is or shall be a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the other Transaction Documents, and the consummation of the transactions contemplated hereby and thereby, by the Parent and the Merger Sub have been duly authorized by all necessary corporate action on the part of the Parent and the Merger Sub. The board of directors of the Parent and the Merger Sub have approved this Agreement and its execution and delivery and the consummation of the Merger and the other transactions contemplated by this Agreement, and declared the advisability of this Agreement and the Merger. No vote of the stockholders of the Parent is required in connection with the consummation of the transactions contemplated hereby. The Parent, as the sole stockholder of the Merger Sub, has adopted and approved this Agreement and the Merger in accordance with Delaware Law. This Agreement is, and each of the other Transaction Documents to which the Parent or the Merger Sub is or shall be a party has been, or upon execution and delivery thereof shall be, duly and validly executed and delivered by the Parent or the Merger Sub, as applicable, and, assuming the due authorization, execution and delivery of this Agreement and the other Transaction Documents to which the Parent or the Merger Sub is or shall be a party by the other parties hereto or thereto, constitute, or upon execution and delivery shall constitute, the valid and binding obligation of the Parent or the Merger Sub, as applicable, enforceable against such Party in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the rights of creditors generally and general principles of equity regardless of whether asserted in a proceeding in equity or at law.

6.2.2 The execution and delivery by each of the Parent and the Merger Sub of this Agreement and the other Transaction Documents to which it is or shall be a party do not, and the performance by each of the Parent and the Merger Sub of the transactions contemplated hereby and thereby shall not, result in a termination, breach or violation by the Parent or the Merger Sub of, or under, (i) the certificate or articles of incorporation or bylaws, each as amended to date, of the Parent or the Merger Sub; (ii) any Law or Order applicable to the Parent or the Merger Sub or any of their respective properties or assets; or (iii) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise, concession or other instrument or obligation to which the Parent or the Merger Sub is a party and, with respect to each of clauses (ii) and (iii) above, which would have a Parent Material Adverse Effect.

6.2.3 No consent, waiver, Order, permit, approval or authorization of, or registration, notice to or filing with, any Governmental Entity is required to be obtained or made by the Parent or the Merger Sub in connection with the execution and delivery by the Parent or the Merger Sub of this Agreement or any other Transaction Document to which the Parent or the Merger Sub is or shall be a party, the compliance by the Parent or the Merger Sub with any provisions of this Agreement or any other Transaction Document, or the consummation of the transactions contemplated hereby or thereby by the Parent or the Merger Sub, except for the filing of (i) the Merger Certificate with the Secretary of State of the State of Delaware and (ii) any required filing under the HSR Act and clearance thereunder.

6.3 Litigation. There are no Actions pending or, to the knowledge of the Parent, threatened against the Parent, its Affiliates or Subsidiaries or the Merger Sub before any Governmental Entity or any arbitrator that seeks to restrain or enjoin the consummation of the transactions contemplated by this Agreement or any other Transaction Document or which would have a Parent Material Adverse Effect. To the knowledge of the Parent, no event has occurred that is reasonably likely to give rise to or serve as a basis for the commencement of any such Action.

6.4 Adequacy of Financing. The Parent has, and will at Closing continue to have, adequate financial resources to satisfy its monetary and other obligations under this Agreement and the other Transaction Documents, including its obligation to pay the Total Merger Consideration. Neither the execution and delivery by the Parent and the Merger Sub of this Agreement, nor consummation by the Parent or the Merger Sub of any of the transactions contemplated by this Agreement or any of the Transaction Documents will render the Parent insolvent or unable to pay its debts as they become due.

6.5 Merger Sub. The Merger Sub was formed solely for the purpose of engaging in the transactions contemplated by this Agreement and the other Transaction Documents, has engaged in no other business activities and has conducted its operations only as contemplated by this Agreement and the other Transaction Documents.

6.6 Parent's Due Diligence; Limitations on Representations and Warranties. Each of the Parent and the Merger Sub hereby acknowledges and agrees that, except for the representations and warranties of the Company expressly set forth in Article 5, it is relying on its own investigation and analysis in entering into this Agreement and consummating the transactions contemplated hereby. Each of the Parent and the Merger Sub is an informed and sophisticated participant in the transactions contemplated hereby and has undertaken its own independent investigation in connection with the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby. Each of the Parent and the Merger Sub acknowledges and agrees that, except for and to the extent of the representations and warranties of the Company expressly set forth in Article 5 (as qualified by the Company Disclosure Schedule) or any Transaction Document, none of the Relevant Companies, any of their respective directors, managers, officers, employees, stockholders, members, Affiliates, agents or representatives, or any other Person, has made any representation or warranty to the Parent or the Merger Sub with respect to any of the Relevant Companies or the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

ARTICLE 7 CONDUCT PRIOR TO THE EFFECTIVE TIME

7.1 Conduct of Business During the Option Period

7.1.1 During the Option Period, except to the extent that the Parent shall otherwise consent in writing, as is required by Law, including to the extent that it would violate any Antitrust Laws, or as is expressly required or permitted by this Agreement, each Relevant Company shall (a) carry on its business in

the ordinary course and in substantially the same manner as heretofore conducted, (b) pay its debts and Taxes when due (subject to good faith disputes over such debts or Taxes), (c) comply in all material respects with all applicable Laws and the requirements of all Material Contracts, (d) otherwise pay or perform in all material respects its obligations when due, (e) use commercially reasonable efforts to: (i) maintain and preserve intact its present business organization, (ii) retain the services of its present officers and key employees, and (iii) preserve its relationships with customers, suppliers, developers, distributors, licensors, licensees, lessors, clinical trial investigators or managers of its clinical trials, clinical advisors, Contract Workers, business associates and others having business dealings with such Relevant Company or to whom such Relevant Company has contractual obligations, (f) take commercially reasonable measures at least commensurate with industry standards to maintain the confidentiality of the trade secrets and other material confidential or other proprietary information of each Relevant Company and, in each such case, using not less than a reasonable degree of care under the circumstances, (g) use commercially reasonable efforts to have each separating employee sign a release of claims in favor of the Company and its Affiliates in customary form, with such release having effect from the date of such employee's separation from the Relevant Company, and (h) promptly notify the Parent upon learning of any material litigation, potential litigation or other similar proceeding whether threatened in writing or otherwise, or any material changes to any litigation that is pending, or any material inquiry or investigation by any Governmental Entity.

7.1.2 Without limiting the generality or effect of the provisions of Section 7.1 during the Option Period, each Relevant Company shall not do, cause or permit any of the following, other than as expressly required or permitted by this Agreement, as required by Law, as set forth on Section 7.1.2 of the Company Disclosure Schedule, or with the prior written consent of the Parent:

7.1.2.1 (A) cause or permit any amendments to the Company Charter Documents, Company Subsidiary Charter Documents, Company Governing Agreements or Company Rights in existence as of the Execution Date; (B) enter into any new agreement or grant of rights that would constitute Company Governing Agreements or Company Rights; (C) create any Subsidiary of any Relevant Company; or (D) create any Affiliate of any Relevant Company or cause or permit any Relevant Company to become an Affiliate of any Person of which such Relevant Company is not an Affiliate as of the Execution Date;

7.1.2.2 adopt a plan or agreement of, or resolutions providing for or authorizing, a complete or partial liquidation, dissolution, restructuring, recapitalization, merger, consolidation or other reorganization of any Relevant Company (other than the Merger);

7.1.2.3 enter into any Material Contract, or amend or otherwise modify or waive any of the material terms of any Material Contract, that (A) would impair the ability of the Company to consummate the Merger or fulfill its obligations under this Agreement, (B) would require the procurement of any consent, waiver or novation or provide for any material change in the obligations of any party in connection with, or accelerate or terminate, in each case, as a result of the Closing or the Merger, or (C) grants any Person (other than the Parent or any of its Affiliates) marketing or other commercialization rights of any kind or scope with respect to the Company's assets, the Products or any Company Intellectual Property, whether or not such grant is conditional or contingent; provided, however in each case such Material Contract may be terminated at the option of the Relevant Company within 90 days and without the requirement to pay any consideration;

7.1.2.4 except (A) in the Ordinary Course of Business, (B) in connection with the settlement of an active litigation Action or (C) in connection with the incurrence of indebtedness for borrowed money, (i) sell, transfer, lease, license, mortgage or otherwise Encumber or dispose of any rights to any Company Intellectual Property, or otherwise grant to any Person rights in any Company Intellectual Property, including, in each case, to any Company Subsidiary; (ii) grant, extend, amend, waive or modify any rights in or to any Company Intellectual Property; or (iii) acquire, or license, or exercise an option to acquire or license from any Person any Intellectual Property rights, or otherwise take any actions that would require any Relevant Company to pay any royalty, development milestone or commercialization milestone or other similar payment;

7.1.2.5 (A) fail to diligently prosecute or maintain any of the Patents constituting Company Intellectual Property; (B) disclose all or any part of the Trade Secrets of any Relevant Company; or (C) fail to take commercially reasonable efforts that are customary with respect to companies of similar size and similar stage of development in the Company's industry to protect the Company Intellectual Property;

7.1.2.6 (A) declare, set aside for payment or pay any dividends on or make any other distributions (whether in cash, stock or property), in respect of any shares of Company Capital Stock or equity interest in any Company Subsidiary, as applicable, or otherwise make any payments to its stockholders in their capacity as such or (B) split, combine, subdivide, reclassify, redeem, purchase or otherwise acquire any outstanding shares of Company Capital Stock or equity interest in any Relevant Company, as applicable, or any rights, warrants or options to acquire any shares of Company Capital Stock or equity interest in any Company Subsidiary, as applicable, other than, the repurchase of unvested shares of Company Common Stock or equity interest in any Company Subsidiary, as applicable, at cost held by employees, directors or officers of, or Contract Workers of the Relevant Company in connection with the termination of such employee's, director's, officer's or Contract Worker's service to such Relevant Company in accordance with the terms of the applicable grant or award and with the terms of Section 7.2.1.1;

7.1.2.7 sell, issue, grant or authorize the issuance of any Company Capital Stock or other securities of any Relevant Company, or securities convertible into, or rights, warrants or options to acquire any shares of, Company Capital Stock or other securities of any Relevant Company, other than (A) the grant of Company Options and Company Restricted Shares to employees, directors or outside Contract Workers pursuant to the Company Option Plans, (B) the issuance of Company Capital Stock pursuant to the valid exercise or valid deemed exercise of any Company Option, (C) upon the valid conversion of any share of Company Preferred Stock; provided, that each Person to whom the Company sells, issues, or grants shares of Company Capital Stock shall have executed a Support Agreement simultaneously with such sale, issuance, or grant, and/or (D) any such issuance, delivery, sale or authorization or grant in connection with one or more equity or debt financings of the Company funded by Persons who have (or will have concurrently with the closing of such financing) executed a Support Agreement (or a joinder agreement thereto) (each, a "Permitted Financing"); provided, that (i) such Permitted Financing will in no way affect the ability of the Parties to effect the Merger, (ii) the shares of Company Capital Stock issued in connection with such Permitted Financing shall be subject to the Merger, (iii) the Company shall require any prospective provider of such Permitted Financing to execute a customary non-disclosure agreement, to the extent not otherwise already bound, (iv) any Third Party investor in any Permitted Financing is not a competitor of the Parent or its Affiliates, (v) the Company shall require that any investor rights agreements (including investor rights agreements, shareholders agreements, right of first refusal and/or co-sale agreements, and any other similar agreements) entered into in connection with such Permitted Financing provide for automatic termination of such agreement(s) at, or immediately prior to, the Closing;

7.1.2.8 (A) acquire, whether by merger or consolidation by purchase of assets, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, (B) acquire any rights, assets or properties other than in the Ordinary Course of Business, or (C) acquire any equity interest in, or other securities of, any Person;

7.1.2.9 cancel, terminate, fail to keep in place or materially reduce the amount of any insurance coverage provided by existing insurance policies without obtaining comparable substitute insurance coverage;

7.1.2.10 fail to use commercially reasonable efforts to maintain the material tangible assets of any Relevant Company in their current physical condition, subject to ordinary wear and tear, regardless of whether or not any damage, destruction or loss is covered by insurance;

7.1.2.11 enter into or amend any collective bargaining or similar agreement;

7.1.2.12 grant any severance rights to any Person, or otherwise pay any severance to any Person who is not entitled to such severance under an agreement in full force and effect as of the Execution Date, unless the payment of such severance is conditioned on such Person executing a release of claims in favor of the Company and its Affiliates in customary form, with such release having effect from the date of such Person's separation from the Company;

7.1.2.13 other than to give effect to, or in connection with, any Permitted Financing, enter into any Material Contract or transaction with any Related Party, Company Holder or Affiliate of any Company Holder outside the Ordinary Course of Business;

7.1.2.14 terminate, amend, restate or amend and restate any Support Agreement;

7.1.2.15 commence, settle, compromise or terminate any material Action, cause of Action, claim, audit, hearing or other proceeding or waive, release or assign any rights or claims under any Material Contract, including granting any covenant not to sue, other than any commencement, settlement, compromise or termination that does not impose any restrictions, limitations or financial obligations on the operations of the Related Companies following Closing;

7.1.2.16 make or change any material Tax election, change any annual Tax accounting period, adopt or change any material method of Tax accounting, file any amended Tax Return, enter into any closing agreement, settle any Tax claim or assessment, surrender any right to claim a Tax refund, consent to the extension or waiver of the limitations period applicable to any Tax claim or assessment, or take or omit to take any other action if such action or omission would have the effect of materially increasing the Tax liability of the Surviving Corporation for any period ending after the Closing Date;

7.1.2.17 undertake to transfer or otherwise implement any transactions (including adopting a cost sharing arrangement) or restructuring that would result in any transfer of its intangible assets (including any intellectual property) outside of the United States; or

7.1.2.18 take, agree or otherwise commit, in writing or otherwise, to take any of the actions described in this Section 7.1.2.

7.2 Conduct of Business Following the Data Request Trigger Date.

7.2.1 During the period commencing with the Data Request Trigger Date and continuing until the earlier of the termination of this Agreement pursuant to its terms or the Effective Time, in addition to (and not in lieu of the restrictions set forth in Section 7.1.2) each Relevant Company shall not do, cause or permit any of the following, other than as expressly required or permitted by this Agreement, as required by Law or with the prior written consent of the Parent:

7.2.1.1 (A) adopt any new, terminate any existing, or make any changes in existing Benefit Plans, fail to renew the insurance policies for any Benefit Plans that are welfare benefit plans, or make any material increases in wages, salary or other compensation with respect to its employees, officers, Contract Workers or directors, except, in each case, to the extent required to comply with applicable Law or the terms of any Benefit Plan in effect as of the Execution Date; (B) grant, modify or pay any severance, change of control, termination or similar benefits or increase any severance, change of control, termination or similar benefit obligations; (C) grant new awards under any Benefit Plan; (D) amend or modify any outstanding awards under any Benefit Plan; (E) take any action to accelerate the payment, or to fund or in any other way secure the payment, of compensation or benefits under any Benefit Plan (other than any such acceleration or payments required pursuant to the terms of such Benefit Plan in connection with the transactions contemplated herein); (F) pay any bonus to any current or former employees, officers or directors (other than pursuant to written agreements or Benefit Plans in effect on the Execution Date); (G) make, grant or promise any other change in material employment terms for any employee or officer; (H) enter into any collective bargaining agreement or other agreement with any labor organization; or (I) hire or offer to hire any employee or Contract Worker whose annual base compensation would be in excess of \$200,000;

7.2.1.2 (A) adjust, split, combine or reclassify or otherwise amend the terms of any shares of capital stock or other equity interests or authorize the issuance of any equity interests in respect of, in lieu of or in substitution for any capital stock, except for any such actions in respect of a Permitted Financing or (B) purchase, redeem or otherwise acquire, directly or indirectly, any capital stock or other equity interests, except for purchases, redemptions or other acquisitions of capital stock or other securities permitted or required pursuant to equity compensation or other arrangements with employees, directors and consultants not otherwise in violation of this Agreement;

7.2.1.3 make any investments in, or loans or advances to any Person, other than routine travel advances to any employees of the Relevant Companies in the Ordinary Course of Business consistent with past practice;

7.2.1.4 (A) incur or assume any Indebtedness; (B) guarantee any Indebtedness; (C) issue or sell any debt securities or warrants or other rights to acquire debt securities of any Relevant Company or guarantee any such debt securities, warrants or other rights of others; or (D) loan any money to or

extend credit to any Third Party, except, in the case of (A) or (D) above, in the Ordinary Course of Business and to a Person who is not a competitor of the Parent or its Affiliates;

7.2.1.5 sell, assign, transfer, license, mortgage, convey, lease, license or otherwise dispose of or Encumber or permit the imposition of any Encumbrance on (other than pursuant to Permitted Encumbrances) any of its properties, assets or lines of business with a value in excess of \$100,000, individually or in the aggregate;

7.2.1.6 make any material changes in any of the Relevant Companies' fiscal year, financial or tax accounting methods, principles or practices or change an annual accounting period, except insofar as may be required by a change in GAAP or IFRS, as applicable;

7.2.1.7 fail to maintain (A) the accounts, books, records and ledgers of any Relevant Company in the Ordinary Course of Business, in accordance with sound business practices and, to the extent applicable, in accordance with GAAP or IFRS, as applicable, and any other applicable legal and accounting requirements, in each case, reflecting only actual bona fide transactions; (B) the minute books of any Relevant Company in a correct and complete manner, recording all meetings and other corporate actions of the Company Holders, the equityholder(s) of the Company Subsidiaries, the Company's board of directors, including committees thereof, and board of directors (or equivalent governing body) of each Company Subsidiary; or (C) the stock ledger (or equivalent) of each Relevant Company in a correct and complete manner reflecting all issuances, transfers, repurchases and cancellations of shares of Company Capital Stock and equity interests of the Company Subsidiaries;

7.2.1.8 make any capital expenditure in excess of \$100,000 individually or \$250,000 in the aggregate or incur any Liability therefor;

7.2.1.9 (A) acquire or agree to acquire (by merging or consolidating with or by purchasing the stock or assets of, or by any other manner) any Person, business or division, or any equity interest of any Person; (B) merge or consolidate with any other Person; (C) other than in the Ordinary Course of Business, agree to acquire assets that are material, individually or in the aggregate, to the Company's business as currently conducted, taken as a whole; or (D) enter into any joint venture, partnership, license, limited liability company, operating agreement or agreement requiring sharing of profits or revenues with any Person;

7.2.1.10 except as expressly required or permitted by this Agreement, enter into, amend, modify, or terminate prematurely, or cancel, waive, assign or release any rights or claims under, any Material Contract or any contract or agreement that would constitute a Material Contract if such contract or agreement were in effect as of the Execution Date;

7.2.1.11 purchase or otherwise acquire, or enter into any Material Contract to acquire, any ownership interest in any real property, wherever located;

7.2.1.12 fail to pursue or delay in pursuing the development of the Product consistent with past practice; or

7.2.1.13 take, agree or otherwise commit to take any of the actions described in Sections 7.2.1.1 through 7.2.1.11.

7.3 **No Control.** The Parties acknowledge and agree that, notwithstanding the provisions of this Agreement, including Article 7 or Section 8.1.4, (i) nothing contained herein shall give the Parent, directly or indirectly, the right to control or direct the operations of any Relevant Company prior to the Effective Time, (ii) prior to the Effective Time, each Relevant Company shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its operations, and (iii) notwithstanding anything to the contrary set forth herein, no consent of the Parent will be required with respect to any matter set forth in the Agreement to the extent the requirement of such consent would violate any applicable Law.

ARTICLE 8 COVENANTS

8.1 Confidentiality.

8.1.1 Confidential Information. Subject to the other provisions of this Section 8.1 and other than as set forth in this Section 8.1.1, all Confidential Information disclosed by the Parent or the Merger Sub to another Party ("Parent Confidential Information") and all Confidential Information disclosed by the Company or the Stockholder Representative to another Party ("Company Confidential Information") in connection with this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby, shall not be used by the receiving Party except in connection with the activities contemplated by this Agreement or the other Transaction Documents, shall be maintained in confidence by the receiving Party, and shall not otherwise be disclosed by the receiving Party to any other Person, without the prior written consent of the disclosing Party, except to the extent that the Confidential Information:

8.1.1.1 was known by the receiving Party prior to its date of disclosure to the receiving Party;

8.1.1.2 either before or after the date of the disclosure to the receiving Party, is lawfully disclosed to the receiving Party by sources (other than the disclosing Party) rightfully in possession of the Confidential Information;

8.1.1.3 either before or after the date of the disclosure to the receiving Party, becomes published or generally known to the public (including information known to the public through the sale of products in the ordinary course of business), without the receiving Party violating this Section 8.1;

8.1.1.4 is independently developed by or for the receiving Party without reference to or reliance upon the Confidential Information; or

8.1.1.5 is disclosed by the Stockholder Representative to the Company Holders in connection with the Stockholder Representative's duties.

Notwithstanding the foregoing, (a) this Section 8.1.1 shall not prohibit the receiving Party from disclosing Confidential Information of the disclosing Party to the extent otherwise required by applicable Law; provided, however, that such disclosure shall be subject to the terms of this Section 8.1 and (b) to the extent that the Confidential Information relates to the existence of this Agreement, the Merger Agreement, the Escrow Agreement, the Payments Administration Agreement and the documents and instruments contemplated hereby and thereby, the terms hereof and thereof, the negotiations hereof and thereof and the transactions contemplated hereby and thereby, the exclusions set forth in Sections 8.1.1.1 through 8.1.1.5 shall not apply.

8.1.2 Employee and Advisor Obligations. Each Party agrees that it and its Affiliates shall provide Confidential Information received from the other Party only to its and its Affiliates' Representatives and contractors who have a need to know such information in order for the receiving Party to exercise its rights or perform its obligations under this Agreement or the other Transaction Documents and have obligations restricting disclosure and use of the Confidential Information on terms no less restrictive than those set forth herein.

8.1.3 Publications. The Parties acknowledge that medical and scientific publications must be closely monitored in order to prevent any adverse effect of the premature publication of information or data relating to the Product. To the extent that the Company, the Stockholder Representative or any of their respective Affiliates or Representatives intend to release information or data relating to the Product, including publishing online or in any journal or other publication or submitting abstracts to or presenting at a medical congress, exhibition or similar event, each such disclosure shall be subject to the terms of this Section 8.1.

8.1.4 FDA and Other Regulatory Filings. The Parties acknowledge that making proper Regulatory Filings is necessary to preserve the value of the Product and to provide effective transition for the operation of the Company's business following the Effective Time. From and after the Data Request Trigger Date until the earlier of termination of this Agreement pursuant to its terms or the Effective Time, the Company shall: (i) provide the Parent with copies of all material correspondence or other written communication with the FDA or similar Governmental Entity relating to the Product, promptly after receiving or submitting such correspondence; provided, however, that for all material correspondence or written submissions to FDA or another Governmental Entity, Company will provide the Parent any such proposed correspondence or submission for review within a reasonable time (but not fewer than 10 Business Days) prior

to submitting such correspondence or other written submission and shall consider in good faith comments from the Parent, provided, that the Company shall have the right to redact any information from such correspondence or written submissions to the extent it is not related to the technical submission requirements for the Product and is otherwise is confidential, proprietary, or competitive in nature; (ii) provide the Parent with all material information and data relating to the Product promptly after becoming aware of such information or data and; (iii) comply with all requirements of any applicable Governmental Entity, including the FDA or similar Governmental Entity. “Regulatory Filings” shall mean, with respect to the Product, any submission to a Governmental Entity of any appropriate regulatory application regarding the Product, and shall include any submission to a regulatory advisory board and any supplement or amendment thereto.

8.1.5 Publicity. None of the Parties shall, and each Party shall cause its Affiliates not to, originate any publicity, news release, other public announcement, statement or disclosure (whether or not in response to an inquiry and whether written or oral, including giving interviews to members of the media, equity analysts or research organizations), relating to this Agreement, any other Transaction Document or the transactions contemplated hereby or thereby, the Company Confidential Information, the Parent Confidential Information, Novartis AG, the Parent, the Merger Sub, the Surviving Corporation or any of their respective Affiliates without the prior consent of the Parent, in the case of information related to the Parent and its Affiliates or, prior to the Closing, the Company, in the case of information related to the Company and its Affiliates.

8.2 Appraisal Rights Notice. Promptly following the effective date of the Stockholder Written Consent, but in any event no later than 10 days thereafter, the Company shall mail to each holder of the Company Capital Stock entitled to vote on the adoption of this Agreement that did not consent to the adoption of this Agreement a notice informing such holder of the approval of the adoption of this Agreement by the Required Stockholder Vote pursuant to Section 228 of Delaware Law and of their rights to appraisal, which notice shall be in accordance with Section 262 of Delaware Law. Such notice shall comply with all applicable Laws and include, among other things, (a) a summary of the Merger and this Agreement and the statutory notice that the Merger has been approved by the requisite vote of the stockholders of the Company, (b) notice under Delaware Law that the holders of Company Capital Stock are or may be entitled to assert appraisal rights under such Law, together with a copy of Section 262 of Delaware Law, and (c) copies of this Agreement, the Stockholder Written Consent and the Support Agreements. The Company shall submit a draft of such notice to the Parent for review and comment for a reasonable period of time (but not less than five Business Days) prior to mailing and shall incorporate therein any changes or comments that the Parent may reasonably request. The Company covenants and agrees that such notice, excluding the changes or comments of the Parent incorporated therein and the effect thereof, will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

8.3 Consents, Approvals and Filings.

8.3.1 Subject to Section 8.3.2, 8.3.3, and 8.3.4, upon the terms and subject to the conditions set forth in this Agreement, following the Option Exercise Date and prior to the Closing, each of the Parties agrees to use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the Merger and the other transactions contemplated by this Agreement and the other Transaction Documents, including using commercially reasonable efforts to cause each of the conditions precedent set forth in Article 11 to be satisfied.

8.3.2 Notwithstanding the provisions of Section 8.3.1 or any other provision of this Agreement or the other Transaction Documents, this Section 8.3.2, Section 8.3.3 and Section 8.3.4 shall be the sole provisions governing the Parties’ obligations with respect to satisfying the requirements of the HSR Act and other Antitrust Laws with respect to the transactions contemplated by this Agreement and the other Transaction Documents. To the extent required by the HSR Act and other Antitrust Laws, each of the Parties (other than the Stockholder Representative) shall: (i) upon the earlier of 15 Business Days following the Option Exercise Date or the delivery of written notice from the Parent to the Company prepare and file with the United States Federal Trade Commission (“FTC”) and the United States Department of Justice (“DOJ”) the notification and report form required for the transactions contemplated hereby; (ii) use commercially reasonable efforts to cooperate with each other to promptly prepare and file as is necessary to comply with other applicable Antitrust Laws; (iii) use commercially reasonable efforts to promptly file any supplemental or additional information which may be requested by any Governmental Entity in connection therewith pursuant

to the HSR Act and other Antitrust Laws; and (iv) use commercially reasonable efforts to comply in all material respects with the requirements of the HSR Act and other Antitrust Laws.

8.3.3 Each Party (other than the Stockholder Representative) shall use best efforts to cooperate with the other Party with respect to preparing any filings, correspondence or submissions to the FTC, DOJ or any other Governmental Entity under the HSR Act and other Antitrust Laws, including furnishing to the other Party's counsel such information and reasonable assistance as such counsel may request in good faith in connection with its preparation of any filing, communication, or submission to any Governmental Entity under the HSR Act and any other Antitrust Law. Each of the Parent and the Company shall promptly inform the other Party upon receipt of any communication from the FTC, the DOJ or any other Governmental Entity regarding any of the transactions contemplated by this Agreement under the HSR Act and other Antitrust Laws. Each Party shall permit counsel for the other Party reasonable opportunity to review in advance, and consider in good faith the views of the other Party in connection with, any proposed written communication to the FTC, the DOJ or any other Governmental Entity relating to the HSR Act requirements in connection with the transactions contemplated by this Agreement. Each of the Parent and the Company agrees not to participate in any substantive meeting or discussion, either in person or by telephone with any Governmental Entity relating to the HSR Act requirements in connection with the transactions contemplated by this Agreement unless it consults with the other Party in advance and, to the extent not prohibited by such Governmental Entity, gives the other Party the opportunity to attend and participate in such meeting or discussion. Subject to the Parent's undertakings pursuant to this Section 8.3, the final determination of the appropriate course of action with respect to the actions contemplated in this Section 8.3 shall be made by the Parent. Notwithstanding the foregoing, no Party shall be required to provide the other Party with any information that it reasonably considers to be competitively sensitive; provided, that in such circumstance, the disclosing Party shall provide the information to the receiving Party's external legal counsel on an "external counsel only basis" (prior to doing so, the disclosing Party may seek an assurance from the receiving Party's external legal counsel that it will not provide such information to the receiving Party) and, where reasonably practicable, shall provide a redacted version to the receiving Party.

8.3.4 Nothing in this Section 8.3 shall require any Parent Affiliated Party to (a) agree or commit to any Remedial Action or (b) in the event any Action is instituted or threatened (as determined by the Parent in its sole discretion) challenging the Merger or any other transactions contemplated by this Agreement or the other Transaction Documents as violating any Antitrust Laws, avoid the filing of, defend against or resolve such Action or commit or agree to any Remedial Action.

8.3.5 The Parties hereto (other than the Stockholder Representative) shall cooperate with each other and use their commercially reasonable efforts to promptly prepare and file all necessary documentation, to effect all applications, notices, petitions and filings (other than the filings under the HSR Act and other applicable Antitrust Laws referenced above, which shall be governed solely by Sections 8.3.2, 8.3.3, and 8.3.4) and obtain as promptly as practicable all actions or non-actions, waivers, consents, approvals, orders and authorizations of all Governmental Entities and other Persons which are necessary or advisable to consummate the transactions contemplated by this Agreement or any other Transaction Document, including the Merger. The Parties agree that they shall consult with each other with respect to the obtaining of all actions or non-actions, waivers, consents, approvals, orders and authorizations of all Governmental Entities and other Persons necessary or advisable to consummate the transactions contemplated by this Agreement or any other Transaction Document and each Party shall keep the other apprised of the status of matters relating to the consummation of the transactions contemplated herein and therein.

8.3.6 Each Party (other than the Stockholder Representative) shall pay expenses related to compliance with the HSR Act and other Antitrust Laws; provided, however, that the Parent shall pay all filing fees, application fees or other fees of the applicable Governmental Entity associated with the HSR Act filing and any filings under other applicable Antitrust Laws.

8.3.7 If, prior to the Closing, either Party reasonably determines that a declaration, notice, or other filing is mandated by the DPA or the associated CFIUS regulations at 31 C.F.R. Part 800 *et seq.* or requested by CFIUS, the Parties shall cooperate with each other and use their commercially reasonable efforts to promptly prepare and file such declaration, notice, or other filing.

8.4 D&O Indemnification; Exculpation; Insurance.

8.4.1 From and after the Effective Time and until the date that is six years thereafter, the Surviving Corporation shall indemnify and hold harmless, to the fullest extent permitted by the Company under applicable Law, the individuals who on or prior to the Effective Time were directors or officers of the Company, in their capacity as directors or officers of the Company (the “Company Indemnitees”), with respect to all acts or omissions by them in their capacities as such or taken at the request of the Company at any time prior to the Effective Time. This Section 8.4 and all rights of the Company Indemnitees to indemnification and exculpation from Liabilities for acts or omissions occurring at or prior to the Effective Time as provided in the Company Certificate of Incorporation or Company Bylaws and any indemnification agreements or arrangements of the Company set forth in Section 8.4 of the Company Disclosure Schedule shall survive the Merger and continue in full force and effect in accordance with their terms from and after the Effective Time and until the date that is six years thereafter.

8.4.2 The Parent, from and after the Effective Time and until the date that is six years thereafter, shall cause the organizational documents of the Surviving Corporation to contain provisions no less favorable to the Company Indemnitees with respect to limitation of Liabilities of directors and indemnification of directors, officers and employees than are set forth as of the Execution Date in the Company Charter Documents, which provisions shall not be amended, repealed or otherwise modified, from and after the Effective Time and until the date that is six years thereafter, in a manner that would adversely affect the rights thereunder of the Company Indemnitees.

8.4.3 The provisions of this Section 8.4 are (a) intended to be for the benefit of, and shall be enforceable by, each Company Indemnitee, his or her heirs and his or her representatives and (b) are in addition to, and not in substitution for, any other rights to indemnification or contribution that any such person may have by contract or otherwise. In the event that the Surviving Corporation, the Parent or any of their respective successors or assigns (i) consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, in each such case, proper provision shall be made so that the successor or assign of the Surviving Corporation or the Parent, as the case may be, shall assume the obligations set forth in this Section 8.4. The obligations of the Parent and the Surviving Corporation under this Section 8.4 shall not be terminated or modified in such a manner as to adversely affect any Company Indemnitee to whom this Section 8.4 applies without the consent of the affected Company Indemnitee. Notwithstanding anything to the contrary in this Agreement, the Parties expressly agree that the Company Indemnitees to whom this Section 8.4 applies shall be third party beneficiaries of this Section 8.4, each of whom shall have the right to enforce its rights hereunder individually.

8.4.4 Notwithstanding the foregoing, prior to the Effective Time, the Company shall obtain a prepaid “tail” policy of its existing directors’ and officers’ liability insurance policy for a period ending no earlier than the sixth anniversary of the Effective Time.

8.5 Further Assurances. Each Party hereto, at the reasonable request and expense of any other Party hereto, shall execute and deliver such other instruments and do and perform such other acts and things as may be necessary or reasonably desirable for effecting the consummation of the Merger and the other transactions contemplated by this Agreement and the other Transaction Documents.

8.6 Third Party Consents. As soon as practicable following the Option Exercise Date, the Company shall use commercially reasonable efforts (and the Parent shall cooperate) to obtain any consents, waivers or approvals (including, for the avoidance of doubt, payment of any funds required in connection therewith) under each of the contracts set forth in Section 5.3.2 of the Company Disclosure Schedule, including any consents, waivers or approvals (including, for the avoidance of doubt, payment of any funds required in connection therewith) set forth in Schedule 11.3.12 hereto.

8.7 Tax Matters.

8.7.1 Pre-Closing Tax Returns. Company shall prepare and file all Tax Returns of the Relevant Companies for any taxable period ending on or before the Closing Date that are due before the Closing Date. Such Tax Returns shall be prepared consistently with past practice unless otherwise required by Applicable Laws. With respect to any income Tax Returns, Company shall submit a copy of any such Tax Returns to the Parent for its review and comment a reasonable period before the due date for filing such Tax Returns, and Company shall consider in good faith all reasonable comments made by the Parent with respect to such Tax Returns.

8.7.2 Preparation and Filing Tax Returns Relating to Pre-Closing Period to be Filed after the Closing Date. The Parent shall prepare or cause to be prepared all Tax Returns for the Relevant Companies that are required to be filed after the Closing Date. With respect to such Tax Returns applicable to taxable periods that end on or prior to the Closing Date (but are due after the Closing Date), (i) Company shall bear the reasonable out-of-pocket expenses associated with the preparation of such Tax Returns (which shall be deemed a Transaction Expense) and (ii) each Relevant Company shall exercise reasonable commercial efforts to be consistent with its prior practice unless otherwise required by Applicable Laws in initiating preparation of (or causing the initiation of preparing) such Tax Returns such that such Tax Returns may be timely filed by the Parent or the Relevant Companies after the Closing Date; provided, however, that the Parent agrees that all Transaction Expenses “more likely than not” (or a greater level of certainty) to be allocable to the taxable period ending on or before the Closing Date shall be treated as arising in such taxable period. The Parent and the Company shall, to the extent permitted or required under applicable Law, treat the Closing Date as the last day of the Tax period of the Company for all Tax purposes, and the Parent shall cause the Company to join the Parent’s “consolidated group” (as defined in Treasury Regulation Section 1.1502-1(h)) effective on the day after the Closing Date. The Parent agrees that neither the Parent, the Company nor their Subsidiaries shall make an election under Treasury Regulation Section 1.1502-76(b)(2)(ii)(D) to ratably allocate items (or make any similar election or ratably allocate items under any corresponding provision of state, local or foreign Law). With respect to any income Tax Return relating to a pre-Closing period required to be filed after the Closing Date that would reasonably be expected to result in a liability for which the Parent would be entitled to indemnification under Section 9.1, at least 30 days prior to filing any such Tax Return, the Parent shall provide the Stockholder Representative with (A) a draft of each such Tax Return, (B) a statement of any Taxes owed in connection with the filing of such Tax Return and (C) all workpapers and other books, records and other documents and computations reasonably requested by the Stockholder Representative in connection with such Tax Return, and the Stockholder Representative shall be entitled to review and comment on any such Tax Return before it is filed, and the Parent shall make such changes to such Tax Return as the Stockholder Representative may reasonably request. In the event the Stockholder Representative objects to a Tax Return and the Parties cannot resolve the objection before the filing deadline of such Tax Return (with extensions), (i) the Parent shall prepare and file such Tax Return in a manner that it, in good faith, deems to be correct under applicable Law, (ii) the matter shall be resolved by an independent accounting firm agreed upon by the Parties and (iii) if the resolution agreed upon by the Parties require that such Tax Return be filed differently, the Parties shall cause an amended Tax Return to be prepared and filed. In the case of any other such Tax Return that would reasonably be expected to result in a liability for which the Parent would be entitled to indemnification under Section 9.1, the Parent shall permit the Stockholder Representative to review and comment on such Tax Return prior to filing and shall consider in good faith such changes as are reasonably requested by the Stockholder Representative. The Parent shall cause such Tax Returns to be filed and shall cause to be remitted with such Tax Returns any Taxes shown due, subject to indemnification in accordance with Section 8.7.3.

8.7.3 Straddle Periods. The Company and the Parent shall cause the Relevant Companies to, unless prohibited by applicable law, close their respective taxable periods as of the end of the Closing Date. If applicable law does not permit Company or Relevant Companies to close its taxable year as of the end of the Closing Date or in any case in which a Tax is assessed with respect to a taxable period which includes the Closing Date (but does not end as of the end of that day) (a “Straddle Period”), the Taxes, if any, attributable to a Straddle Period shall be allocated (i) to the period up to and including the Closing Date or (ii) to the period subsequent to the Closing Date, in each case, as set forth in this Section 8.7.3. Except as set forth in the next sentence, any allocation of income or deductions required to determine any Taxes attributable to a Straddle Period shall be made by means of a closing of the books and records of the Relevant Companies as of the end of the Closing Date; provided, that exemptions, allowances or deductions that are calculated on an annual basis (including depreciation and amortization deductions) shall be allocated between the period ending on the Closing Date and the period after the Closing Date in proportion to the number of calendar days in each such period. For purposes of determining the amount of income Taxes attributable to the period up to and including the end of the Closing Date, the income amounts under Sections 951, 951A and 956 of the Code shall be computed consistently as if the tax year of any controlled foreign corporation had ended on the Closing Date. In the case of any Taxes of the Relevant Companies imposed on a periodic basis (including real property and ad valorem Taxes) the allocation described in this Section 8.7.3 shall be made based on the number of calendar days during the Straddle Period on or before the Closing Date, on the one hand, and the number of calendar days in the Straddle Period after the Closing Date, on the other hand. Notwithstanding the foregoing, any Taxes relating to any transactions not in the ordinary course of business of the Relevant Companies that occur after the time of the Closing on the Closing Date shall be treated as occurring on the day after the Closing Date.

8.7.4 Except as provided in Section 8.7.2 or 8.7.5, after the Effective Time, none of the Parent, the Company or any Relevant Company shall (i) file, or permit to be filed, or amend or otherwise modify, or permit to be amended or otherwise modified, any Tax Return for any period beginning prior to the Closing Date, in each case except to the extent the original Tax Return or position thereon or decision not to file a Tax Return or take such position thereon, as the case may be, is not “more likely than not” correct (or a greater level of certainty) and Parent, the Company or any Relevant Company provides prior written notice thereof, including a reasonable explanation and supporting materials, to the Stockholder Representative; (ii) discuss, correspond, participate in any sponsored voluntary compliance, amnesty, self-correction or similar program, negotiate, make or initiate any voluntary contact with any Governmental Entity or representative thereof with respect to, or settle with any Governmental Entity or representative thereof, any Tax liability of the Company or any Relevant Company with respect to any period beginning prior to the Closing Date or that may affect the Tax liability of the Company Holders for any period, in each case except to the extent the original Tax Return or position thereon or decision not to file a Tax Return or take such position thereon, as the case may be, is not “more likely than not” correct (or a greater level of certainty) and Parent, the Company or any Relevant Company provides prior written notice thereof, including a reasonable explanation and supporting materials, to the Stockholder Representative; (iii) extend or waive, or cause to be extended or waived, any statute of limitations or other period for the assessment of any Tax or deficiency related to any period beginning prior to the Closing Date; or (iv) make any Tax election that has retroactive effect to any period or portion of any period beginning prior to the Closing Date, in each case without the prior written approval of the Stockholder Representative, which shall not be unreasonably withheld; provided, that in the case of clause (i) or (ii), that the withholding of consent shall not be reasonable if the Parent has reasonably determined that the positions do not meet the “more likely than not” standard and has provided prior written notice thereof, including a reasonable explanation and supporting materials, to the Stockholder Representative. The Parent shall not make or permit to be made any election under Section 338 of the Code or Section 336(e) of the Code (or any similar provision under state, local, or foreign Law) with respect to the transactions contemplated by this Agreement.

8.7.5 The Company Holders shall be entitled to receive the benefit of any refunds or credits of any Taxes for any taxable period ending on or before the Closing Date or the portion of any Straddle Period ending at the end of the Closing Date (including any interest in respect thereof, and including any reduction of Taxes for any taxable period beginning on or after the Closing Date or the portion of any Straddle Period ending after the Closing Date as a result of application of any refund or credit against such Taxes), and the Parent shall cause the amount of any refunds or credits of Taxes (including interest and net of any costs, expenses or Taxes incurred in obtaining such refund or credit or making such payment) to which the Company Holders are entitled under this Section 8.7.5, but which are received by or credited to the Parent, the Company or any Relevant Company after the Closing Date, to be paid to the Payments Administrator (for further distribution to the Company Holders), within five Business Days following the Parent’s receipt of any such refund or credit, except to the extent any such refund or credit was taken into account in determining Final Working Capital.

8.7.6 The Parties hereto shall cooperate with each other in connection with the preparation and timely filing of any Tax Returns of the Relevant Companies required to be prepared and filed or in connection with the preparation or filing of any election, claim for refund, consent or certification (or any audit, proceedings or other Tax-related claims of or affecting a Relevant Company (each a “Tax Contest”)), and allowing the Stockholder Representative to review Tax Returns to determine or verify the proper amounts payable hereunder. Such cooperation shall include, upon request, providing records and information that are reasonably relevant to any such matters, making employees available on a mutually convenient basis to provide additional information, and explaining any materials provided pursuant to this Section 8.7. The Parent and its Affiliates (including the Relevant Companies) shall not destroy or dispose of any Tax workpapers, schedules or other materials and documents supporting Tax Returns of the Relevant Companies respecting any taxable period ending on or before the Closing Date or the portion of any Straddle Period ending at the end of the Closing Date until the seventh anniversary of the Closing Date. If there is any Tax Contest after the Closing Date with respect to a Pre-Closing Tax Return and would reasonably be expected to give rise to a claim for indemnification under Article 9, then (i) the Stockholder Representative shall have the right, in its sole discretion, to control the defense and conduct of such Tax Contest at the expense of the Company Holders, by delivering a written notice of its intent to the Parent within 10 Business Days of receiving written notice of such Tax Contest, (ii) if the Stockholder Representative elects to control such Tax Contest in accordance with the preceding clause, the Parent shall have the right to participate in such Tax Contest at its own expense, (iii) if the Stockholder Representative does not notify the Parent of its intent to control such Tax Contest in accordance with (i), the Parent shall have the right to control the defense and conduct of such Tax Contest and the Stockholder Representative shall have the right to participate in such Tax Contest at the expense of the

Company Holders, and (iv) the Parties shall not settle, compromise and/or concede such Tax Contest without the written consent of the other Party, which shall not be unreasonably withheld, delayed or conditioned. Notwithstanding anything to the contrary in this Agreement, the Stockholder Representative shall have no access to any consolidated, combined, unitary, or similar, federal, state, local or foreign jurisdiction income Tax Returns in which the Company is included (in whole or in part) and with respect to which the Parent is a member, or any work papers, documents, books, records, data, or other information pertaining thereto, filed by the Parent and its Affiliates, except as it reasonably relates to the Relevant Companies.

8.7.7 Except as otherwise provided in Section 8.7.6, the Parent shall have the exclusive right to control the audit or litigation, and disposition thereof, of any Tax Return, however, the Stockholder Representative on behalf of the Company Holders shall have the right to participate in the audit or litigation, and approve the disposition thereof (which approval shall not be unreasonably withheld, conditioned, or delayed), of any Tax Return relating to the periods (or portions thereof) beginning before the Closing Date if, and to the extent that such audit or litigation, or disposition thereof, could give rise to a claim for indemnification under Article 9.

8.7.8 All Transfer Taxes (including any penalties and interest) incurred in connection with this Agreement shall be paid equally by the Company Holders, on the one hand, and by the Parent, on the other hand. The Parties (other than the Stockholder Representative) agree to reasonably cooperate to minimize such Transfer Taxes to the extent permitted under applicable Law.

8.8 Notification of Certain Matters. During the Option Period, the Company shall give written notice to the Parent promptly after becoming aware of, and use commercially reasonable efforts to remedy promptly, any of the following: (i) the occurrence, or failure to occur, of any event that has caused any representation or warranty of the Company under this Agreement or any other Transaction Document to be untrue or inaccurate in any material respect (or, in the case of representations and warranties that are qualified by materiality, Company Material Adverse Effect or similar phrase, or in the case of any Fundamental Company Representations, in any respect), (ii) the failure of the Company to comply with, or satisfy in any material respect, any covenant of the Company under this Agreement or any other Transaction Document, or (iii) the occurrence, or failure to occur, of any event that has resulted or will result in the failure of a condition precedent set forth in Section 11.1 or Section 11.3 to be satisfied. During the Option Period, the Parent shall give written notice to the Company promptly after becoming aware of, and use commercially reasonable efforts to remedy promptly, any of the following: (x) the occurrence, or failure to occur, of any event that has caused any representation or warranty of the Parent or the Merger Sub under this Agreement or any other Transaction Document to be untrue or inaccurate in any material respect (or, in the case of representations and in the case of warranties that are qualified by materiality, Parent Material Adverse Effect or similar phrase, in any respect), (y) the failure of the Parent or the Merger Sub to comply with, or satisfy in any material respect, any covenant of the Parent or the Merger Sub under this Agreement or any other Transaction Document, or (z) the occurrence, or failure to occur, of any event that has resulted or, to the Company's Knowledge, will result in the failure of a condition precedent set forth in Section 11.1 or Section 11.2 to be satisfied. No such notification shall affect the representations or warranties of the Parties or the conditions to their respective obligations hereunder. Notwithstanding anything to the contrary contained herein, in the event that following the Closing a Party has a claim for indemnification pursuant to Article 9 with respect to a breach of a representation, warranty or covenant of which any other Party was required to notify such Party pursuant to this Section 8.8, the sole recourse of such Party for Damages arising from such breach shall be pursuant to Article 9, and any liability accruing to any Party failing to make such notification under this Section 8.8 shall only be for actual damages in excess of Damages actually recovered pursuant to Article 9 with respect to such breach. During the Option Period, as soon as reasonably practicable but no later than 120 days following the end of each fiscal year, the Company shall provide the Parent with the audited balance sheet of the Company and each non-consolidated Company Subsidiary as of the end of such fiscal year and the related audited statements of operations and cash flows for the year then ended.

8.9 Access and Information. During the Option Period, the Company shall afford to the Parent and its Representatives full access during normal business hours upon reasonable notice to (i) the Company's properties and facilities (including all owned or leased real property and the buildings, structures, fixtures, appurtenances and improvements erected, attached or located thereon), books, financial information (including working papers and data in the possession of the Company or their respective independent public accountants, internal audit reports, and "management letters" from such accountants with respect to the Company's systems of internal controls), contracts and records, and shall furnish promptly such books, records and other documents concerning the businesses, properties and personnel of the Company as the Parent shall reasonably request and provide the opportunity to make copies of such books, records and other documents; provided,

however, that such investigation shall not unreasonably disrupt the Company's operations and (ii) to such Representatives for the Company as the Parent may reasonably request access for purposes of its continuing due diligence with respect to the Company, provided that the Parent shall exercise this right of access no more than once in any calendar quarter during the Option Period. The Company shall cause its accountants to cooperate with the Parent and its Representatives in making available all financial information reasonably requested by them, including the right to examine all working papers pertaining to all financial statements prepared by such accountants. During the Option Period, the Company shall generally keep the Parent informed as to all material matters involving the operations and businesses of the Company. Notwithstanding the foregoing, the Company shall not be required to disclose any information if such disclosure would contravene any applicable Law. For the avoidance of doubt, all information provided to or obtained by the Parent pursuant to this Section 8.9 shall be deemed Company Confidential Information for purposes of this Agreement. No information provided to or obtained by the Parent pursuant to this Section 8.9 shall affect the representations or warranties of the Parties, the conditions to their respective obligations, their indemnification rights and obligations hereunder, or any other remedies available hereunder to the Parent.

8.10 Company Acquisition Proposals.

8.10.1 During the Option Period, the Company shall not, and shall cause its Affiliates not to, directly or indirectly, through any Representative of the Company or its Affiliates, solicit or encourage (including by way of furnishing information) the initiation or submission of any inquiries, proposals or offers regarding, and shall not otherwise facilitate, negotiate, discuss, enter into or make any commitment with respect to any merger or acquisition, sale, lease or license of the capital stock of the Company, all or a material portion of the Company's assets or the Product, other than sales of Product to end-users in the ordinary course of business (any of the foregoing inquiries or proposals being referred to herein as a "Company Acquisition Proposal"); provided, however, that the board of directors of the Company shall be permitted to refer any Third Party to this Section 8.10 subject to its other obligations set forth in this Section 8.10.

8.10.2 The Company shall immediately cease and cause to be terminated any existing discussions or negotiations with any parties (other than the Parent) conducted prior to or as of the Execution Date with respect to any Company Acquisition Proposal. The Company agrees not to release any such parties from any confidentiality agreement to which the Company is a party.

8.10.3 The Company shall promptly, and in any event within two Business Days, notify the Parent after receipt of any Company Acquisition Proposal or any request for information relating to the Company in connection with a Company Acquisition Proposal or for access to the properties, books or records of the Company by any Person in connection with a Company Acquisition Proposal. Such notice to the Parent shall indicate in reasonable detail the terms and conditions of such proposal, inquiry or contact.

8.10.4 The Company shall ensure that the officers, directors, employees, advisors and other Representatives of the Company are aware of the restrictions described in this Section 8.10, and shall use commercially reasonable efforts to ensure such Persons do not breach this Section 8.10.

8.11 Data Room. The Company has provided certain documents and information to the Parent prior to the Execution Date through use of the Data Room. The Company shall maintain and provide the Parent with access to the Data Room during the Option Period. On or promptly following the Execution Date and the Option Exercise Date, the Company will provide to the Parent an electronic copy of the Data Room, on DVD or other medium acceptable to the Parent, containing the complete and accurate contents of the Data Room, but only as such contents were readable, printable and otherwise fully accessible to the Parent and its Representatives as of 5 p.m. on the date immediately prior to (i) the Execution Date and (ii) the Option Exercise Date.

8.12 Solicitation of Stockholder Written Consent and Support Agreements. The Company covenants and agrees that the documents soliciting the Stockholder Written Consent and the Support Agreements, excluding any changes or comments of the Parent incorporated therein and the effect thereof, will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect. Promptly following the Execution Date, the Company shall use commercially reasonable efforts to solicit and obtain a counterpart signature to a Support Agreement from each Company Holder (other than Berlin and Company Holders who only hold Company Options) and to the Stockholder Written Consent from each holder of Company Capital Stock; provided, however, that prior to

the Option Exercise Date, the Company shall not seek a Support Agreement from any Company Holder who only holds Company Options. Promptly following the Execution Date, the Company shall use best efforts to solicit and obtain a counterpart signature to the Berlin Support Agreement. Following the Option Exercise Date, the Company shall use commercially reasonable efforts to solicit and obtain a counterpart signature to a Support Agreement from each Company Holder who holds Company Options and has not already executed a Support Agreement.

8.13 Company 401(k) Plan. If requested by the Parent in writing not less than five Business Days prior to the Closing, the Company shall take (or cause to be taken) all actions necessary to cease contributions to and terminate each Benefit Plan qualified under Code Section 401(k) (the “Company 401(k) Plan”), and to adopt written resolutions, the form and substance of which shall be reasonably satisfactory to the Parent, to terminate such Company 401(k) Plan and to 100% vest all Company participants under said Company 401(k) Plan, such termination and vesting to be effective no later than the Business Day preceding the Closing; provided, however, that such Company 401(k) Plan termination may be made contingent upon the consummation of the transactions contemplated by this Agreement.

8.14 Section 280G Approval.

8.14.1 Waivers. The Company shall have obtained prior to the initiation of the requisite stockholder approval procedure under Section 8.14.2 below, a waiver of the right to receive such portion of the payments and/or benefits that reasonably could constitute “parachute payments” under Section 280G of the Code and regulations thereunder (a “Parachute Payment Waiver”) from each Person who, with respect to the Company, is a “disqualified individual” (within the meaning of Section 280G of the Code and the regulations promulgated thereunder), as determined immediately prior to the initiation of the requisite stockholder approval procedure under Section 8.14.2 below, and who, with respect to the Company, might otherwise receive, have received, or have the right or entitlement to receive any parachute payment under Section 280G of the Code, and the Company shall have delivered each such Parachute Payment Waiver to the Parent on or before the Closing Date.

8.14.2 280G Stockholder Vote. No later than 10 days prior to the Closing Date and no earlier than six months prior to the Closing Date, the Company shall use its commercially reasonable efforts to solicit the approval by such number of stockholders of the Company as is required by the terms of Section 280G(b)(5)(B) of the Code so as to render (if such approval is obtained) the parachute payment provisions of Section 280G of the Code inapplicable to any and all payments and/or benefits provided pursuant to contracts or arrangements that, in the absence of the executed Parachute Payment Waivers by the affected Persons under Section 8.14.1 above, might otherwise result, separately or in the aggregate, in the payment of any amount and/or the provision of any benefit that would not be deductible by reason of Section 280G of the Code or that would be subject to an excise tax by reason of Section 4999 of the Code, with such stockholder approval to be solicited in a manner which satisfies all applicable requirements of such Section 280G(b)(5)(B) of the Code and the Treasury Regulations thereunder, including Q-7 of Section 1.280G-1 of such Treasury Regulations. The Parachute Payment Waivers and documents to be provided to the Company’s stockholders in connection with the solicitation of stockholder approval shall be in a form reasonably acceptable to the Parent.

8.15 Termination of the Investment Agreements. The Company shall cause each of the Investment Agreements to be terminated, as of, or immediately prior to, the Closing.

8.16 Notice of Additional Shares of Company Capital Stock. During the Option Period, the Company shall notify the Parent of the number and type of any new shares of Company Capital Stock issued or acquired, if any, by any Company Holder party to a Support Agreement during the Option Period or pursuant to any Permitted Financing.

8.17 Registration and Public Offerings. During the Option Period, no Relevant Company shall consummate an initial public offering of its securities or file a registration statement with Securities and Exchange Commission or make any equivalent filing with any other Governmental Entity.

8.18 Restrictions on Transfers of Company Capital Stock; Enforcement of Support Agreement. During the Option Period:

8.18.1 Prior to the Closing Date, the Company shall not consent to, or recognize or record on its books, any (i) sale, (ii) assignment, (iii) transfer (including by operation of applicable Law), or (iv) Encumbrance of any share or shares of Company Capital Stock by any Company Holder party to a Support Agreement, unless in the case of clauses (i) through (iii), such transferee has executed and delivered to the Company and the Parent a joinder signature page to become party to a Support Agreement.

8.18.2 From time to time, if requested by the Parent, the Company shall take all actions necessary to enforce the Company's rights and the obligations of Company Holders under the Support Agreements in accordance with the terms and conditions thereunder and the Company shall not terminate, amend, modify or otherwise alter, or waive any rights under, a Support Agreement without the prior written consent of the Company.

8.19 Classification. During the Option Period, the Company shall (and shall cause each Relevant Company to) use commercially reasonable efforts to ensure that each Contract Worker performing services for any Relevant Company is properly classified under applicable Law and for federal income Tax purposes as an employee or independent contractor.

8.20 Inventions and Proprietary Rights Agreement. During the Option Period, the Company shall cause each Person now or hereafter employed by it or by any Relevant Company (or engaged by any Relevant Company as a Contract Worker) to enter into a nondisclosure and proprietary rights assignment agreement in customary form, to the extent not previously executed by such Person. During the Option Period, no Relevant Company shall amend, modify, terminate, waive, or otherwise alter, in whole or in part, in any manner that is adverse to the Relevant Companies (taken as a whole), any nondisclosure and proprietary rights assignment agreement without the prior written consent of the Company.

8.21 Applicable Accounting Standards. Each Party (other than the Stockholder Representative) shall promptly notify the other in the event that it changes the Applicable Accounting Standards pursuant to which its records are maintained, it being understood that each Party (other than the Stockholder Representative) may only use internationally recognized accounting principles (e.g., IFRS, GAAP).

8.22 Pro Forma Closing Payment Spreadsheet. Within 10 Business Days following the Option Exercise Date, the Company will provide a pro forma Closing Payment Spreadsheet, in the form of Exhibit J attached hereto, containing only the good faith estimate by the Company of amounts to be paid to the Company Holders pursuant to this Agreement (and no other information set forth in the definition of "Closing Payment Spreadsheet"), determined as of the date hereof (the "Pro Forma Closing Payment Spreadsheet"), which amounts set forth on such Pro Forma Closing Payment Spreadsheet are subject to change to reflect the terms of this Agreement.

8.23 Escrow Agent and Payments Administrator. If, within 15 Business Days following the Option Exercise Date, the Parent determines, acting reasonably, that the Escrow Agent or Payments Administrator identified in this Agreement is no longer suited to serve in such capacity, the Parent may, with the consent of the Company (not to be unreasonably withheld, conditioned or delayed) appoint a third party to act as Escrow Agent or Payments Administrator, as applicable, and make such changes to the Escrow Agreement or Payment Administration Agreement to account for the change in the Escrow Agent or Payments Administrator as reasonably necessary (which shall, for the avoidance of doubt, include using the form of escrow agreement or payment administration agreement of the newly appointed Escrow Agent or Payments Administrator, as applicable).

8.24 Berlin Escrow. Prior to the Closing, the Company shall ensure that all amounts required to have been paid to Berlin under the Berlin Patent Assignment Agreement prior to the Closing shall have been paid and any amounts required as of the Closing Date to have been placed in the Berlin Escrow account in accordance with the terms of the Berlin Patent Assignment Agreement shall have been deposited in the Berlin Escrow. To the extent a third party administers the Berlin Escrow, the Company shall take all actions necessary to ensure that Parent shall have access to the Berlin Escrow following the Closing.

ARTICLE 9 INDEMNIFICATION; SURVIVAL OF REPRESENTATIONS

9.1 Agreement to Indemnify the Parent Indemnified Parties. Subject to the terms, conditions and limitations of this Article 9, from and after the Effective Time, the Company Holders shall indemnify, defend

and hold harmless the Parent, the Surviving Corporation and their respective Affiliates, directors, officers, employees and agents (the “Parent Indemnified Parties”) from and against any Damages that are suffered or incurred by any Parent Indemnified Party arising out of or resulting from:

9.1.1 any breach of any representation or warranty of the Company set forth in Article 5 or any other Transaction Document executed by, or on behalf of, the Company;

9.1.2 any breach by the Company, prior to the Effective Time, of any covenant, agreement, obligation or undertaking of the Company set forth in this Agreement or any other Transaction Document executed by, or on behalf of, the Company, for the benefit of the Parent or the Merger Sub;

9.1.3 any Actions or disputes with respect to (i) the allocation or payment among the Company Holders and any other Person of any Total Merger Consideration pursuant to the terms of this Agreement (other than any Action or dispute initiated by a Company Holder with respect to a breach by the Parent of its obligation to pay such Company Holder its respective portion of the Total Merger Consideration due and payable, as set forth on the Payment Spreadsheet pursuant to this Agreement), (ii) any claim directly arising as a result of any inaccuracy or omission in any Payment Spreadsheet or CFO Certificate or document referred to therein, or (iii) appraisal rights under Delaware Law, to the extent of any Damages or other amounts paid or payable by the Parent, the Merger Sub or the Surviving Corporation with respect to any Dissenting Shares in excess of the portion of Total Merger Consideration that would have been due and owing in respect of such Dissenting Shares if the holder thereof had not made a claim of appraisal rights;

9.1.4 any Action by a stockholder or former stockholder, optionholder or other equity award holder of the Company, or by any other Person, seeking to assert (i) ownership or rights to ownership of any shares of Company Capital Stock, Company Options or any other equity interest in any Relevant Company or interest in the Total Merger Consideration, (ii) any right of a stockholder, optionholder or other equity award holder of the Company to any preemptive right or right to notice or to vote, or (iii) any right to any portion of the Total Merger Consideration (other than any Action or dispute initiated by a Company Holder with respect to a breach by the Parent of its obligation to pay such Company Holder its respective portion of the Total Merger Consideration due and payable, as set forth on the Payment Spreadsheet pursuant to this Agreement);

9.1.5 the 50% share of any indemnification obligations in favor of the Escrow Agent or the Payments Administrator pursuant to the provisions of the Escrow Agreement and the Payments Administration Agreement, as applicable;

9.1.6 any Pre-Closing Taxes;

9.1.7 any Liability for Transfer Taxes for which the Company Holders are liable under Section 8.7.8 arising from the transactions hereunder (to the extent such Liability for Transfer Taxes is not already included as a Transaction Expense paid at Closing);

9.1.8 any Closing Indebtedness or Transaction Expenses to the extent not already taken into account in the calculation of Total Closing Consideration or any Milestone Payment; or

9.1.9 any claim of infringement brought by a Third Party (whether arising prior to the Execution Date, during the Option Period, or following the Closing) against any Relevant Company in connection with the development, manufacturing, licensing, marketing, importation, offer for sale, sale or use of the Product (including Losses in the form of any royalty or similar payment obligation agreed to by the Company or imposed on the Company by a Governmental Entity during the Option Period), in each case as conducted or planned to be conducted by any Relevant Company at any time prior to the Closing.

9.2 Agreement to Indemnify the Holder Indemnified Parties. Subject to the terms, conditions and limitations of this Article 9, from and after the Effective Time, the Parent shall indemnify, defend and hold harmless the Company Holders and their respective Affiliates, directors, officers, employees and agents (the “Holder Indemnified Parties”, and together with the Parent Indemnified Parties, the “Indemnified Parties”) from and against any Damages that are suffered or incurred by any Holder Indemnified Party arising out of or resulting from:

9.2.1 any breach of any representation or warranty of the Parent or the Merger Sub set forth in Article 6;

9.2.2 any breach by the Parent, the Merger Sub or, from and after the Effective Time, the Surviving Corporation, of any covenant, agreement, obligation or undertaking of the Parent, the Merger Sub or, from and after the Effective Time, the Surviving Corporation set forth in this Agreement or any other Transaction Document executed by, or on behalf of, the Parent or the Merger Sub, for the benefit of the Company or any Company Holder, including any obligation to pay any portion of the Total Merger Consideration pursuant to this Agreement; or

9.2.3 the 50% share of any indemnification obligations in favor of the Escrow Agent or the Payments Administrator pursuant to the provisions of the Escrow Agreement and the Payments Administration Agreement, as applicable.

9.3 Exercise of Remedies by Indemnified Parties other than the Parent or the Stockholder Representative.

9.3.1 The Parent, or any successor or assignee of the Parent, shall assert any indemnification claim of any Parent Indemnified Party under this Article 9 on behalf of any such Parent Indemnified Party specifying the factual basis of the claim in reasonable detail (any such claim, a “Parent Claim”). No Parent Indemnified Party, other than the Parent or any successor or assignee of the Parent, is entitled to assert any Parent Claim.

9.3.2 The Stockholder Representative shall assert any indemnification claim of any Holder Indemnified Party under this Article 9 on behalf of any such Holder Indemnified Party specifying the factual basis of the Claim in reasonable detail (any such claim, a “Holder Claim”, and together with any Parent Claim, a “Claim”). No Holder Indemnified Party, other than the Stockholder Representative or any successor or assignee thereof, is entitled to assert any Holder Claim.

9.4 Survival.

9.4.1 No obligations of the Company and the Stockholder Representative under the covenants and agreements contained in this Agreement or any other Transaction Document shall survive the Closing, except for pursuant to those covenants or agreements that by their terms contemplate performance in whole or in part after the Closing, which shall survive until the later of (i) until fully performed or fulfilled or (ii) if not fully performed or fulfilled, until the expiration of the applicable statute of limitations; provided, however, that in the event that, at any time prior to expiration of the applicable statute of limitations, the Parent delivers to the Stockholder Representative written notice pursuant to this Article 9 of the existence of a breach of the applicable obligation, covenant or agreement and asserting a Claim for recovery under this Article 9 based on such breach, the Claim asserted in such notice shall survive the expiration of the applicable statute of limitations until such time as such Claim is fully and finally resolved.

9.4.2 No obligations of the Parent, the Merger Sub and/or, from and after the Closing, the Surviving Corporation, under the covenants and agreements contained in this Agreement or any other Transaction Document shall survive the Closing, except for pursuant to those covenants or agreements that by their terms contemplate performance in whole or in part after the Closing, which shall survive (i) until fully performed or fulfilled or (ii) if not fully performed or fulfilled, until the expiration of the applicable statute of limitations; provided, however, that in the event that, at any time prior to expiration of the applicable statute of limitations, the Stockholder Representative delivers to the Parent written notice pursuant to this Article 9 of the existence of a breach of the applicable obligation, covenant or agreement and asserting a Claim for recovery under this Article 9 based on such breach, the Claim asserted in such notice shall survive the expiration of the applicable statute of limitations until such time as such Claim is fully and finally resolved.

9.4.3 All representations and warranties made by the Company in this Agreement or any other Transaction Document shall survive the Closing and the Parent Indemnified Parties shall be entitled to seek indemnification pursuant to Section 9.1.1 (i) with respect to all representations and warranties made by the Company in this Agreement or any other Transaction Document, until the date that is 24 months following the Closing Date, other than as set forth in the following clauses (ii)-(iii), (ii) with respect to each Fundamental Company Representation, indefinitely; (iii) with respect to the representations and warranties in Section 5.6 (Taxes), until the date that is sixty days following the expiration of the applicable statute of limitations; and

(iv) with respect to the IP Special Representations, until the date that is six years following the Closing Date (the termination date applicable to any representation or warranty made by the Company pursuant to this Agreement, the “Company Representation Termination Date”). Notwithstanding anything to the contrary in this Section 9.4.3, in the event that, at any time prior to the applicable Company Representation Termination Date, the Parent delivers to the Stockholder Representative written notice pursuant to this Article 9 of the existence of a breach of any applicable representation or warranty made by the Company and asserting a Claim for recovery under this Article 9 based on such breach, the Claim asserted in such notice shall survive the applicable Company Representation Termination Date until such time as such Claim is fully and finally resolved pursuant to the terms of this Agreement.

9.4.4 All representations and warranties made by the Parent or the Merger Sub in this Agreement or any other Transaction Document shall survive the Closing and the Holder Indemnified Parties shall be entitled to seek indemnification pursuant to Section 9.2.1 (i) with respect to all representations and warranties made by the Parent or the Merger Sub in this Agreement or any other Transaction Document, until the date that is 24 months following the Closing Date, other than as set forth in the following clause (ii), and (ii) with respect to the representations and warranties in Section 6.1 (Organization of the Parent and the Merger Sub) and Section 6.2 (Authority; Non-Contravention), indefinitely (the termination date applicable to any representation or warranty made by the Parent or the Merger Sub pursuant to this Agreement, the “Parent Representation Termination Date”); provided, however, that in the event that, at any time prior to the applicable Parent Representation Termination Date, the Stockholder Representative delivers to the Parent written notice pursuant to this Article 9 of the existence of a breach of any applicable representation or warranty made by the Parent or the Merger Sub and asserting a Claim for recovery under this Article 9 based on such breach, the Claim asserted in such notice shall survive the applicable Parent Representation Termination Date until such time as such Claim is fully and finally resolved pursuant to the terms of this Agreement.

9.4.5 Notwithstanding anything to the contrary in this Agreement, the Parent Indemnified Parties’ right to be indemnified pursuant to Section 9.1.2 through and including Section 9.1.8 shall not be subject to any limitation as to time set forth in this Section 9.4. The Parent Indemnified Parties shall only be entitled to seek indemnification pursuant to Section 9.1.9 until the date that is six years following the Closing Date.

9.5 Limitation of Liability.

9.5.1 Subject to Section 9.5.2 and Section 9.6:

9.5.1.1 The Parent Indemnified Parties shall not be entitled to indemnification for any Claim pursuant to Section 9.1.1, unless the total amount of all such Damages for which, but for this Section 9.5.1, the Parent Indemnified Parties have a right to indemnification pursuant to Section 9.1.1 exceeds \$[***] in the aggregate, and then for all Damages to the extent in excess thereof.

9.5.1.2 Notwithstanding anything to the contrary in this Agreement, the conditions or limitations set forth in Section 9.5.1.1 and Section 9.5.4 shall not apply to any Claims for a breach of a Fundamental Company Representation, Section 5.6 (Taxes) or the IP Special Representations.

9.5.1.3 Notwithstanding anything to the contrary in this Agreement, the conditions or limitations set forth in this Section 9.5.1 shall not apply to claims for indemnification pursuant to Section 9.1.2 through and including Section 9.1.9.

9.5.2 Except with respect to Claims for Fraud (and except with respect to claims arising under Section 3.2.2.3 or Section 3.5), following the Effective Time, the right of indemnification, pursuant to and subject to the terms, conditions and limitations of this Article 9, shall be the sole and exclusive remedy of any Indemnified Party with respect to this Agreement or any other Transaction Document; provided, that this sentence shall not be deemed a waiver by the Parent or the Stockholder Representative to seek specific performance or injunctive relief in the case of a Person’s failure to comply with the covenants made by a Person in this Agreement or any other Transaction Document.

9.5.3 Notwithstanding any other provision of this Agreement, for purposes of calculating Damages hereunder and for purposes of determining the failure of any representations or warranties to be true and correct or the breach of any covenants and agreements, any “materiality,” “Company Material Adverse

Effect,” “the Parent Material Adverse Effect” qualifications in the representations, warranties, covenants and agreements shall be disregarded.

9.5.4 Notwithstanding anything to the contrary set forth in this Agreement, the Company Holders shall not be liable hereunder to the Parent Indemnified Parties pursuant to Section 9.1.1 as a result of any breach of any of the representations or warranties of the Company as set forth in Article 5 (other than breaches of the Fundamental Company Representations, Section 5.6 (Taxes) and the IP Special Representations) if with respect to any individual item of loss or series of related losses, such item is less than \$[***].

9.5.5 Notwithstanding anything to the contrary set forth in this Agreement, no Company Holder will have any liability for indemnification under Article 9 for any amount of Damages in excess of the aggregate amount of proceeds actually received by such Company Holder pursuant to this Agreement.

9.5.6 Notwithstanding anything to the contrary contained in this Article 9, other than for claims for indemnification pursuant to Section 9.1.2 through and including Section 9.1.8 (but specifically excluding Section 9.1.9), breaches of Fundamental Company Representations or Fraud, the aggregate liability of the Company Holders in respect of Claims for indemnification pursuant to this Article 9 shall not exceed \$[***] (the “Indemnity Cap”). When calculating whether or not the Indemnity Cap has been met, the Parties will include any releases from the Indemnity Escrow Fund paid to any Parent Indemnified Parties pursuant to this Agreement.

9.6 Sources of Recovery.

9.6.1 Subject to the exceptions set forth in this Section 9.6, the primary source of recovery for any indemnification obligations for Damages incurred pursuant to this Agreement shall be paid from the Indemnity Escrow Fund; provided, however, that if the Indemnity Escrow Fund is insufficient or unavailable, then the Parent shall be entitled to set off, from unpaid Milestone Payments, the amount of such Damages for which the Parent Indemnified Parties have a right to indemnification pursuant to this Article 9 not satisfied from the Indemnity Escrow Fund, which sources shall be the exclusive sources of recovery.

9.6.2 In the event the Parent Indemnified Parties shall pursue a claim pursuant to Section 9.1.1, for breach of a Fundamental Company Representation, and the Indemnity Escrow Fund and unpaid Milestone Payments are insufficient or unavailable, the Parent Indemnified Parties shall have the right to pursue all available remedies provided pursuant to this Article 9 directly against the Company Holders but subject to the conditions and limitations set forth in this Article 9.

9.6.3 In the case of common law “fraud” (“Fraud”) prior to the Effective Time, the Parent Indemnified Parties shall have the right to pursue all available remedies provided pursuant to this Article 9 and to pursue remedies directly against the breaching Company Holder (including, for the avoidance of doubt, indemnification of any Parent Indemnified Party for Claims in excess of the Indemnity Escrow Fund or unpaid Milestone Payments) without being subject to the conditions or limitations set forth in this Article 9, including but not limited to being free from the conditions as to time, amount or source of recovery.

9.7 Process for Indemnification Claims.

9.7.1 No Indemnified Party shall be entitled to receive any payment under this Article 9 unless the Parent, on the one hand, or the Stockholder Representative, on the other hand, as may be applicable, delivers to the other written notice, pursuant to this Article 9, of the Claim for which the Indemnified Party seeks indemnification (any such notice, a “Claim Notice”). Any Claim Notice shall contain a reasonably detailed summary of the factual basis for the Claim, the provision or provisions of this Agreement or other Transaction Document under which indemnification is sought and, if known, the estimated amount of the maximum Damages incurred or reasonably expected to be incurred by the Indemnified Party. Notwithstanding anything to the contrary in this Section 9.7, no delay or deficiency on the part of the Parent or the Stockholder Representative, as applicable, in so notifying the other shall limit any right of any Indemnified Party to indemnification under this Article 9, except to the extent such failure materially prejudices the Parent, on the one hand, or the Stockholder Representative, on the other hand, as may be applicable. Following the delivery of a Claim Notice to the Stockholder Representative, the Parent shall make available to the Stockholder Representative and its representatives and agents access (including electronic access, to the extent available) as they may reasonably require to the books and records of the Surviving Corporation and access to such

personnel or representatives of the Surviving Corporation and the Parent that are under the direct or indirect control of the Parent, including but not limited to individuals responsible for the matters that are subject of the Claim Notice, at reasonable times and upon reasonable notice to the Parent for the purposes of investigating or resolving any disputes or responding to any matters or inquiries raised in the Claim Notice.

9.7.2 If the Stockholder Representative does not, in the case of a Parent Claim, or the Parent does not, in the case of a Holder Claim, dispute in writing the basis or amount of the applicable Claim within 30 days of receiving written notice thereof, (i) the Parent, in the case of a Parent Claim, shall have the right to recover such Damages in accordance with the terms of this Agreement and the other Transaction Documents promptly, or (ii) the Stockholder Representative, in the case of a Holder Claim, shall have the right to recover such Damages on behalf of the applicable Holder Indemnified Parties from the Parent promptly.

9.7.3 If the Parent disputes, in the case of a Holder Claim, or the Stockholder Representative disputes, in the case of a Parent Claim, the basis or amount of the Claim specified in the Claim Notice, then within 30 days of receiving written notice thereof, the Parent or the Stockholder Representative, as applicable, shall give written notice to the other of such dispute (which written notice shall contain a reasonably detailed summary of the basis for such dispute) and (i) the Parent, in the case of a Parent Claim, shall have the right in relation to any undisputed Damages to recover such Damages in accordance with the terms of this Agreement and the other Transaction Documents promptly, or (ii) the Stockholder Representative, in the case of a Holder Claim, shall have the right in relation to any undisputed Damages to recover such Damages on behalf of the applicable Holder Indemnified Parties from the Parent promptly; provided, however, that the Parent or the Stockholder Representative, as the case may be, shall not recover Damages for any disputed amount hereunder until the earlier of, if at all, (a) a court of competent jurisdiction issues an order specifying the right of the applicable Indemnified Parties to recovery hereunder and the amount thereof and (b) the Parent and the Stockholder Representative agree in writing to the amount of the applicable Damages, at which time, (A) the Parent, in the case of a Parent Claim, shall have the right to recover such Damages in accordance with the terms of this Agreement and the other Transaction Documents promptly or (B) the Stockholder Representative, in the case of a Holder Claim, shall have the right to recover such Damages on behalf of the applicable Holder Indemnified Parties from the Parent promptly. For the avoidance of doubt, any such Damages recovered by the Stockholder Representative under Section 9.7 shall be paid to the Payments Administrator for further distribution to the Company Holders.

9.8 Defense of Third Party Claims.

9.8.1 Notice of Third Party Claim. Promptly after the Parent, in the case of a Parent Claim, or the Stockholder Representative, in the case of a Holder Claim, obtains knowledge of any actual Action that has been brought or asserted in writing by a Third Party or any threatened Action that has been brought or asserted by a Third Party against the Parent or the Stockholder Representative, as applicable, or any other applicable Indemnified Party (a "Third Party Claim"), the Parent or the Stockholder Representative, as applicable, shall promptly give written notice of such Third Party Claim to the other (the "Third Party Claim Notice"), stating the nature and basis of such Third Party Claim and the maximum estimated dollar amount of such Third Party Claim, to the extent known (which estimate may be updated from time to time). Notwithstanding the foregoing, no delay or deficiency on the part of the Parent or the Stockholder Representative, as applicable, in so notifying the other shall limit any right of any Indemnified Party to indemnification under this Article 9, except to the extent such failure materially prejudices the defense of such Action.

9.8.2 Election to Defend. The Stockholder Representative shall have the right to assume and control the defense of any Third Party Claim that is only for monetary damages, by the Stockholder Representative's own counsel, which shall be reasonably acceptable to the Parent, upon written notice (the "Election to Defend") to the Parent to that effect within 15 Business Days after the Stockholder Representative's receipt of the Third Party Claim Notice. In the event that the Stockholder Representative assumes the defense of any Third Party Claims, subject to Section 9.8.3: (i) the attorneys' fees, other professionals' and experts' fees and court or arbitration costs incurred by the Stockholder Representative in connection with defending such Third Party Claim are to be paid out of the Stockholder Representative Reimbursement Fund; and (ii) the Parent shall have the right, at its own cost and expense, to participate in the defense of such Third Party Claim; provided, however, that notwithstanding the foregoing: (A) if in the reasonable opinion of the Parent, there is a conflict of interest between any Company Holder and the Stockholder Representative, on the one hand, and the Parent Indemnified Parties, on the other hand, then the reasonable cost of one separate legal counsel and, if necessary, one separate local counsel in the jurisdiction in which the action is located, for the Parent shall be reimbursed by the Stockholder Representative out of the

Stockholder Representative Reimbursement Fund; (B) the Stockholder Representative may not maintain control of the defense, appeal or settlement of any claim of infringement brought by a Third Party against any Relevant Company in connection with the development, manufacturing, licensing, marketing, importation, offer for sale, sale or use of any Product or Company Intellectual Property; and (C) the Stockholder Representative may not maintain control of the defense, appeal or settlement of any Third Party Claim if the Stockholder Representative fails to defend in good faith the Third Party Claim. If the Stockholder Representative chooses not to defend any Third Party Claim by failure to deliver on a timely basis the Election to Defend, the Parent may defend against such Third Party Claim and, subject to Section 9.8.3, consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim in any manner it may deem appropriate, and thereafter seek indemnification pursuant to this Article 9 for Damages resulting from such Third Party Claim. The Stockholder Representative and the Parent shall cooperate with each other in all reasonable respects in connection with the defense of any Third Party Claim, including using commercially reasonable efforts to make available access (including electronic access, to the extent available) to personnel and all books, records and other documents and materials that are under the direct or indirect control of such Party or any of its Subsidiaries or other Affiliates, without expense (other than reimbursement of actual out-of-pocket expenses), at reasonable times and upon reasonable notice, to the defending party, as may be reasonably requested for the defense and preparation of the defense of such Third Party Claim.

9.8.3 Withhold Consent to Settlement. Neither the Company Holders nor the Stockholder Representative shall settle or consent to the entry of any judgment with respect to any Third Party Claim without the prior written consent of the Parent (which consent shall not be unreasonably withheld, conditioned or delayed if such settlement agreement (i) provides a full and unconditional release of the Parent Indemnified Parties, (ii) does not include any finding or admission of a violation of Law or violation of the rights of any Person by any Parent Indemnified Parties or any of their Affiliates, and (iii) does not impose on the Parent Indemnified Parties or any of their Affiliates any obligation other than an obligation to pay monetary damages in an amount less than or equal to the aggregate cash amount remaining in the Indemnity Escrow Fund; provided, that if the Parent fails to consent to any such proposed settlement or judgment within 15 Business Days after notice of the same is delivered by the Stockholder Representative, the maximum liability of the Company Holders as to such Third Party Claim shall not exceed that which would have been payable by the Company Holders had such proposed settlement or judgment been effected). No Parent Indemnified Party shall settle or consent to the entry of a judgment with respect to such Third Party Claim without the prior written consent of the Stockholder Representative (which consent shall not be unreasonably withheld, conditioned or delayed), unless the Parent Indemnified Party is no longer seeking, and will not in the future seek, indemnification in respect of such Third Party Claim and acknowledges the same in writing to the Stockholder Representative.

9.9 Tax Treatment of Indemnity Payments. Any payment made pursuant to this Article 9 shall be treated as an adjustment to the Total Merger Consideration for all Tax purposes unless otherwise required by applicable Law.

9.10 Offsets. The amount of any Damages for which indemnification is provided under this Agreement shall be reduced on a dollar for dollar basis to take into account (i) any amounts actually recovered by the Indemnified Party under insurance policies with respect to such Damages in excess of the sum of (A) reasonable out-of-pocket costs and expenses relating to collection under such policies, (B) any deductible associated therewith to the extent paid, and (C) any increase in the insurance premium of the Indemnified Party resulting or reasonably anticipated to result therefrom, (ii) any cash recoveries actually received from Third Parties pursuant to indemnification with respect thereto, net of any expenses incurred by the Party seeking indemnification in obtaining payment from such Third Party; provided, that the Party seeking indemnification shall have no duty to pursue payment from any Third Party, and (iii) the net amount of any Tax benefits actually realized by the Parent or its Affiliates (including the Relevant Companies) on account of such Damages, provided, that, if such Tax benefit is actually realized after the applicable indemnity payment is made pursuant to this Article 9 without reduction by such Tax benefit, the Parent and its Affiliates (including the Relevant Companies) shall promptly pay to the Payments Administrator for the benefit of the Company Holders the amount of such Tax benefit at such time or times as (and to the extent that) such Tax benefit is actually realized by the Parent or its Affiliates (including the Relevant Companies) in the taxable year in which the Damages occurred or the next succeeding taxable year (excluding any stub- or shortened taxable years).

9.11 Knowledge. The right to indemnification or other remedy based upon any representation or warranty set forth in this Agreement will not be affected by any investigation conducted or any knowledge acquired at any time, whether before or after the Execution Date or before or after the Closing Date, with respect to the accuracy or inaccuracy of, or compliance with, such representation or warranty.

9.12 No Double Remedy. Notwithstanding the fact that any Party may have the right to assert claims for indemnification under or in respect of more than one provision of this Agreement in respect to any specific fact, event, condition or circumstance, no Party will be entitled to recover the amount of any Damages suffered by such Party more than once under this Agreement in respect of such specific fact, event, condition or circumstance. For the avoidance of doubt, no Person shall be entitled to indemnification pursuant to this Agreement for any Damages arising from a breach of any representation, warranty or covenant set forth in this Agreement (and the amount of any Damages incurred in respect of such breach shall not be included in the calculation of any limitations on indemnification set forth herein) if, and solely to the extent, such Damages were already taken into account in connection with the calculation of the Post-Closing Adjustment Amount as provided in Section 3.5.

9.13 Non-Reliance. The Parent and the Merger Sub acknowledge that the Company has not made and is not making any representations or warranties whatsoever regarding the subject matter of this Agreement, express or implied, except as provided in Article 5, and that, other than for Fraud, the Parent and the Merger Sub may not make a claim for breach of representation or warranty regarding the subject matter of this Agreement, express or implied, except with respect to the representations and warranties in Article 5.

9.14 Release of Indemnity Escrow Fund. Subject to the further terms and conditions of the Escrow Agreement and this Article 9, the Parent and the Stockholder Representative shall execute joint written instructions to the Escrow Agent instructing the Escrow Agent to disburse the Indemnity Escrow Fund as follows:

9.14.1 On the date that is [***] following the Closing Date (the “First Release Date”), an amount, if any, equal to \$[***], minus (a) any actual payouts in respect of indemnification claims in accordance with this Article 9, minus (b) the amount of any surviving, unresolved Parent Claim shall be released by the Escrow Agent, from the Indemnity Escrow Fund, to the Payments Administrator, for distribution to the Company Holders in accordance with such Company Holders’ applicable portion of such amount.

9.14.2 On the date that is [***] following the Closing Date, an amount, if any, equal to \$[***], minus (a) any actual payouts in respect of indemnification claims in accordance with this Article 9 following the First Release Date, minus (b) the amount of any surviving, unresolved Parent Claim (to the extent not duplicative and previously reserved pursuant to Section 9.14.1) shall be released by the Escrow Agent, from the Indemnity Escrow Fund, to the Payments Administrator for distribution to the Company Holders in accordance with such Company Holders’ applicable portion of such amount.

9.14.3 On the date that is [***] following the Closing Date, an amount, if any, equal to the amount remaining in the Indemnity Escrow Fund, minus the amount of any surviving, unresolved Parent Claim (to the extent not duplicative and previously reserved pursuant to Section 9.14.1 or Section 9.14.2) shall be released by the Escrow Agent, from the Indemnity Escrow Fund, to the Payments Administrator, for distribution to the Company Holders in accordance with such Company Holders’ applicable portion of such amount.

9.14.4 Any portion of the Indemnity Escrow Fund that is required pursuant to this Agreement or the Escrow Agreement to be reserved for potential payment and satisfaction of any unresolved Parent Claim properly brought pursuant to this Article 9, shall continue to be held by the Escrow Agent in escrow subject to, and in accordance with, the provisions of the Escrow Agreement, until the earlier of (i) such time as the Parent and the Stockholder Representative reach mutual agreement in writing as to the disposition thereof and provide the Escrow Agent with a joint written instruction with respect to the disbursement of the Indemnity Escrow Fund or (ii) issuance of an order of a court of competent jurisdiction that is final and from which no further appeals may be taken, as to the disposition of such Parent Claim.

ARTICLE 10 STOCKHOLDER REPRESENTATIVE

10.1 Appointment; Authorization. In order to administer efficiently the defense or settlement of any dispute pursuant to Article 3 or any Parent Claim for which indemnification to any Parent Indemnified Party may be required pursuant to Article 9 and to administer efficiently the notice provisions under this Agreement, the Payments Administration Agreement and the Escrow Agreement, within 15 Business Days following the Option Exercise Date, the Company shall nominate and appoint Shareholder Representative

Services LLC, a Colorado limited liability company, or such other person as is reasonably acceptable to Parent, as the “Stockholder Representative” and deliver to Parent a signed joinder of the Stockholder Representative agreeing to the terms and conditions applicable to the Stockholder Representative set forth in this Agreement. All Company Holders, by voting in favor of the adoption of this Agreement, the approval of the principal terms of the Option, the approval of the principal terms of the Merger, and the consummation of the Merger, participation in the Merger or acceptance of any portion of the Total Merger Consideration pursuant to this Agreement, irrevocably nominate and appoint, and, in each Company Holder’s Letter of Transmittal shall expressly and irrevocably nominate and appoint the Stockholder Representative as their exclusive agent, attorney-in-fact and representative (with full power of substitution), with the right to: (i) take all action necessary, desirable or expressly permitted by this Agreement or any other Transaction Document; (ii) without limiting the foregoing, take all action in connection with the defense, prosecution or settlement of any dispute pursuant to Article 3 or any Claim pursuant to Article 9; (iii) give and receive all notices required or permitted to be given under this Agreement or the other Transaction Documents; (iv) contract with organizational stockholder representative vendors to perform the duties and responsibilities of the Stockholder Representative hereunder; and (v) take all actions necessary or appropriate in the good faith judgment of the Stockholder Representative for the accomplishment of the foregoing. By the Stockholder Representative’s execution of this Agreement, the Stockholder Representative hereby accepts such appointment.

10.2 Resignation; Replacement. The Stockholder Representative may resign at any time upon not less than 10 days prior written notice to the Parent. In the event that the Stockholder Representative dies, becomes unable to perform the responsibilities of the Stockholder Representative hereunder or resigns from such position (“Terminating Stockholder Representative”), the Company Holders representing at least two-thirds of the outstanding shares of Company Capital Stock immediately prior to Closing shall elect another representative to fill such vacancy, and such substituted representative shall be deemed to be the Stockholder Representative in place of the Terminating Stockholder Representative for all purposes of this Agreement. If the position of Stockholder Representative shall remain vacant for more than 60 days, the Parent may designate any Company Holder as a Stockholder Representative in place of the Terminating Stockholder Representative and such Company Holder shall serve as the Stockholder Representative until the Company Holders shall elect a successor pursuant to this Section 10.2. The immunities and rights to indemnification granted by the Company Holders in favor of the Stockholder Representative in this Article 10 shall survive the resignation or removal of Stockholder Representative and the Closing and/or any termination of this Agreement, the Payments Administration Agreement and the Escrow Agreement.

10.3 Decisions and Actions Binding. All decisions, instructions, consents and actions by the Stockholder Representative, including the defense, prosecution or settlement of any dispute pursuant to Article 3 or any Claim pursuant to Article 9, shall be final, binding and conclusive upon all of the Company Holders, and no Company Holder shall have the right to object, dissent, protest or otherwise contest the same, or any cause of action against any Stockholder Representative for any action taken or not taken, decision made or instruction given by the Stockholder Representative under this Agreement or any other Transaction Document, except for fraud, gross negligence, willful misconduct or bad faith by the Stockholder Representative.

10.4 Actions of the Stockholder Representative.

10.4.1 The Parent and the Escrow Agent shall be able to rely conclusively on the actions, instructions, decisions and consents of the Stockholder Representative being the actions, instructions, decisions or consents of each Company Holder. The Parent, the Surviving Corporation and the Escrow Agent are hereby relieved from any Liability to any Person for any acts done by Stockholder Representative and any acts done by the Parent, the Surviving Corporation or the Escrow Agent in reliance upon any such action, instruction, decision and consent of the Stockholder Representative. After the Closing, notices or communications to or from the Stockholder Representative constitute notices or communications to or from each Company Holder for all purposes under this Agreement or any other Transaction Document, as applicable. Each Company Holder hereby agrees to receive correspondence from the Stockholder Representative, including in electronic form. Without limiting any rights or remedies of the Parent or the Merger Sub under this Agreement or any other Transaction Document, as between the Stockholder Representative and the Company Holders, the Stockholder Representative shall be entitled to: (i) rely upon the Closing Payment Spreadsheet, (ii) rely upon any signature reasonably believed by it to be genuine, and (iii) reasonably assume that a signatory has proper authorization to sign on behalf of the applicable Company Holder or other party. The Stockholder Representative will incur no liability of any kind with respect to any action or omission by the Stockholder Representative in connection with the Stockholder Representative’s services pursuant to this Agreement and any agreements ancillary hereto, except in the event of liability directly resulting from the Stockholder

Representative's fraud, gross negligence, willful misconduct or bad faith. The Stockholder Representative shall not be liable for any action or omission pursuant to the advice of counsel.

10.4.2 Each Company Holder shall indemnify and hold harmless the Stockholder Representative from any losses, liabilities, damages, claims, penalties, fines, forfeitures, actions, fees, costs and expenses (including the fees and expenses of counsel and experts and their staffs and all expense of document location, duplication and shipment) (collectively, the "Stockholder Representative Expenses") arising out of or in connection with the Stockholder Representative's execution and performance of this Agreement or any Transaction Document or the Stockholder Representative's actions hereunder or thereunder, in each case as such Stockholder Representative Expense is suffered or incurred; provided, that in the event that any such Stockholder Representative Expense is finally adjudicated to have been directly caused by the fraud, gross negligence, willful misconduct or bad faith of the Stockholder Representative, the Stockholder Representative will reimburse the Company Holders the amount of such indemnified Stockholder Representative Expense to the extent attributable to such fraud, gross negligence, willful misconduct or bad faith. If not paid directly to the Stockholder Representative by the Company Holders, any such Stockholder Representative Expense may be recovered by the Stockholder Representative from (i) the funds in the Stockholder Representative Reimbursement Fund, (ii) the amounts in the Indemnity Escrow Fund at such time as remaining amounts would otherwise be distributable to the Company Holders, (iii) from any Milestone Payments at such time as any such amounts would otherwise be distributable to the Company Holders, and (iv) from the Company Holders; provided, that while this section allows the Stockholder Representative to be paid from the aforementioned sources of funds, this does not relieve the Company Holders from their obligation to promptly pay such Stockholder Representative Expenses as they are suffered or incurred, nor does it prevent the Stockholder Representative from seeking any remedies available to it at law or otherwise. In no event will the Stockholder Representative be required to advance its own funds on behalf of the Company Holders or otherwise. Notwithstanding anything in this Agreement to the contrary, any restrictions or limitations on liability or indemnification obligations of the Company Holders set forth elsewhere in this Agreement are not intended to be applicable to the indemnities provided to the Stockholder Representative under this Section 10.4.

10.4.3 The power of attorney, immunities and rights to indemnification granted by the Company Holders in favor of the Stockholder Representative in this Article 10 are irrevocable and coupled with an interest, may be delegated by the Stockholder Representative, shall survive the bankruptcy, liquidation, death or incapacity of any Company Holder, and shall be enforceable notwithstanding any rights or remedies that any Company Holder may have in connection with the transactions contemplated by this Agreement or any other Transaction Document.

10.5 Payment of Expenses.

10.5.1 The Stockholder Representative Reimbursement Fund will be used for the purposes of paying directly, or reimbursing the Stockholder Representative for, any third party expenses pursuant to this Agreement and any other Transaction Document. The Stockholder Representative Reimbursement Fund shall be held by the Stockholder Representative as agent and for the benefit of the Company Holders in a segregated client account. The Company Holders will not receive any interest or earnings on the Stockholder Representative Reimbursement Fund and irrevocably transfer to the Stockholder Representative any ownership right that they may otherwise have had in any such interest or earnings. The Stockholder Representative will hold the Stockholder Representative Reimbursement Fund separate from its corporate funds and will not voluntarily make it available to its creditors in the event of bankruptcy. The Stockholder Representative is not providing any investment supervision, recommendations or advice and shall have no responsibility or liability for any loss of principal of the Stockholder Representative Reimbursement Fund other than as a result of its gross negligence or willful misconduct. The Stockholder Representative is not acting as a withholding agent or in any similar capacity in connection with the Stockholder Representative Reimbursement Fund, and has no tax reporting or income distribution obligations hereunder. The costs of establishing and maintaining the Stockholder Representative Reimbursement Fund shall be paid by the Company Holders. For tax purposes, the Stockholder Representative Reimbursement Fund will be treated as having been received and voluntarily set aside by the Company Holders at the time of the Closing.

10.5.2 The Stockholder Representative, upon written notice that is received by the Parent no later than three Business Days prior to the relevant distributions by the Parent being made to the Payments Administrator, shall be entitled to cause the Parent to deposit with the Stockholder Representative all or a portion of the proceeds of any Milestone Payment (which has become payable to the Company Holders pursuant to Section 3.2.1) prior to the Parent making any distribution of such Milestone Payment to the

Payments Administrator for further distribution to the Company Holders as provided herein solely for purposes of (i) replenishing the Stockholder Representative Reimbursement Fund or (ii) reimbursing the Stockholder Representative for the amount of any expenses of the Stockholder Representative previously paid by the Stockholder Representative and not discharged out of the Stockholder Representative Reimbursement Fund. Notwithstanding anything to the contrary, the Parties acknowledge that any amounts that the Parent Indemnified Parties are entitled to deduct from any Milestone Payment pursuant to Article 9 above shall have priority over any deductions pursuant to this Section 10.5.2. Any remaining Stockholder Representative Reimbursement Fund after satisfaction of all such costs and expenses shall be distributed to each of the Company Holders as provided in Article 4.

10.6 Provision of Information. The Parent agrees that, upon reasonable notice, it will cooperate with and use reasonable efforts to make available (including by electronic means, to the extent reasonably available) to the Stockholder Representative for inspection and copying, during normal business hours, those of the Surviving Corporation's books and records retained and remaining in existence after the Effective Time which are reasonably necessary in connection with any Tax inquiry, audit, investigation or dispute, any litigation or investigation or any other similar matter involving a holder of record of shares of Company Capital Stock as of immediately prior to the Effective Time. The Parent shall use reasonable efforts to transmit financial statements, general journal and trial balances of the Company in formats such as Excel spreadsheets or searchable Word or .pdf documents. The Stockholder Representative (on behalf of the Company Holders) shall bear all of the costs and expenses (including attorneys' fees) incurred in connection with providing such access to such books and records. Except as provided in the next sentence, this Section 10.6 shall not create any obligation on the part of the Parent, the Surviving Corporation or any Affiliate to retain any such books and records for any particular length of time, in any particular location or in any particular format. The Parent shall retain or cause the Surviving Corporation to retain, until the applicable statutes of limitations (including any extensions) have expired, copies of all Tax Returns, supporting work schedules, and other Tax records for all tax periods, or portions thereof, ending on or before the Closing Date.

ARTICLE 11 CLOSING CONDITIONS

11.1 Conditions to Obligations of Each Party to Effect the Closing. The respective obligation of each Party to this Agreement to effect the Closing shall be subject to the satisfaction at or prior to the Closing of the following conditions, any of which may be waived in writing exclusively as to itself, by a Party hereto:

11.1.1 No Order. No Governmental Entity shall have enacted, issued, promulgated, enforced, entered or commenced any Law, Order or Action (whether temporary, preliminary or permanent) having the effect of prohibiting, restraining or delaying the consummation of the Closing or the Merger, and no Governmental Entity shall have indicated in writing its intention to imminently take any such Action.

11.1.2 HSR Act and other Antitrust Laws. All applicable waiting periods under the HSR Act and other Antitrust Laws relating to the Merger and the other transactions contemplated by this Agreement and the other Transaction Documents shall have expired or been terminated, and clearance for the Merger and the other transactions contemplated by this Agreement and the other Transaction Documents shall have been obtained in all jurisdictions requiring such clearance.

11.1.3 Stockholder Approval. This Agreement and the Merger will have been duly adopted and approved by the Required Stockholder Vote.

11.2 Additional Conditions to Obligations of the Company. The obligation of the Company to consummate and effect the Closing shall be subject to the satisfaction at or prior to the Closing of each of the following conditions, any of which may be waived, in writing, exclusively by the Company.

11.2.1 Representations and Warranties. The representations and warranties of the Parent and the Merger Sub in this Agreement (i) that are qualified by materiality, Parent Material Adverse Effect or similar phrase shall be true and correct in all respects and (ii) that are not so qualified by materiality, Parent Material Adverse Effect or similar phrase shall be true and correct in all material respects, in each case, (A) as of the Execution Date and (B) on and as of the Closing Date with the same effect as though such representations and warranties were made on and as of the Closing Date, except to the extent that such representations and warranties are expressly made as of an earlier date, in which case such representations and

warranties shall be as of such earlier date. The Company shall have received a certificate with respect to the foregoing signed on behalf of the Parent by an authorized officer of the Parent.

11.2.2 Agreements and Covenants. The Parent and the Merger Sub shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by the Parent or the Merger Sub at or prior to the Closing. The Company shall have received a certificate to such effect signed on behalf of the Parent by an authorized officer of the Parent.

11.2.3 Payments Administration Agreement. The Payments Administrator and the Parent shall have duly executed and delivered the Payments Administration Agreement.

11.2.4 Escrow Agreement. The Escrow Agent and the Parent shall have duly executed and delivered the Escrow Agreement.

11.2.5 Delivery of Funds. At the Closing, the Parent shall have delivered or caused to be delivered all payments set forth in Section 4.1.3, Section 4.1.4 and Section 4.2.1.

11.3 Additional Conditions to the Obligations of the Parent and the Merger Sub. The obligations of the Parent and the Merger Sub to consummate and effect the Closing shall be subject to the satisfaction at or prior to the Closing of each of the following conditions, any of which may be waived, in writing, exclusively by the Parent.

11.3.1 Company Representations and Warranties. (i) The representations and warranties of the Company in this Agreement that are qualified by materiality, Company Material Adverse Effect or similar phrase shall be true and correct in all respects, and (ii) the representations and warranties of the Company in this Agreement that are not so qualified by materiality, Company Material Adverse Effect or similar phrase shall be true and correct in all material respects, in the cases of the foregoing clauses (i) through and including (ii), (A) as of the Execution Date and (B) on and as of the Closing Date with the same effect as though such representations and warranties were made on and as of the Closing Date, except to the extent that such representations and warranties are expressly made as of an earlier date, in which case such representations and warranties shall be as of such earlier date. The Parent shall have received a certificate with respect to the foregoing signed on behalf of the Company by the Chief Executive Officer of the Company.

11.3.2 Company Agreements and Covenants. The Company shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it at or prior to the Closing. The Parent shall have received a certificate to such effect signed on behalf of the Company by the Chief Executive Officer of the Company.

11.3.3 Payments Administration Agreement. The Payments Administrator and the Stockholder Representative shall have duly executed and delivered the Payments Administration Agreement.

11.3.4 Escrow Agreement. The Escrow Agent and the Stockholder Representative shall have duly executed and delivered the Escrow Agreement.

11.3.5 FIRPTA Certification. The Company shall have delivered to the Parent a certification in a form reasonably agreed to by the Parent and the Company for purposes of satisfying the Parent's obligations under Treasury Regulation Section 1.1445-2(c)(3).

11.3.6 Legal Proceedings. (i) No Action shall have been instituted against the Company or the Parent or their respective Affiliates (A) prohibiting, restraining or delaying, or that would result in material damages upon the consummation of the Merger or any of the other transactions contemplated by this Agreement or the other Transaction Documents, or (B) causing or resulting in, any Remedial Action and (ii) no Remedial Action shall have occurred or be in effect.

11.3.7 Noncompetition Agreements. Each of the Noncompetition Agreements shall remain in effect for each Person who is still employed by or a Contract Worker of the Company and the Company shall have obtained duly executed Noncompetition Agreements from any Person holding the titles listed on Appendix I who did not enter into a Noncompetition Agreement as of the Execution Date.

11.3.8 Support Agreements. The Company shall have received executed Support Agreements from Company Holders representing no less than 75% of the outstanding shares of Company Capital Stock on an as converted to Company Common Stock basis (excluding any shares of Company Capital Stock underlying the Company Options), or their successors or permitted assigns and such agreements shall remain in full force and effect. The Berlin Support Agreement shall remain in full force and effect.

11.3.9 Company Stock Equivalents. There shall not, following the Closing, be any obligation on the part of the Company to pay any compensation to any holders of stock options, warrants or other convertible securities in relation to such options, warrants or convertible securities, and the Parent shall have received written evidence thereof satisfactory to the Parent.

11.3.10 Resignations. The Parent shall have received written resignations of all officers and directors of the Company, to be effective as of the Effective Time.

11.3.11 Required Consents. Each of the consents listed in Schedule 11.3.11 hereto shall have been obtained.

11.3.12 Repayment of Loans; Payoff and Release of Liens. All Indebtedness owed by the Company shall have been repaid in full prior to or contemporaneous with Closing. The Company will have obtained and delivered to the Parent customary payoff letters reasonably satisfactory to the Parent and lien release documentation relating to the repayment of all Indebtedness or payments of other amounts in connection with any Transaction Expenses to be paid at the Closing and the termination of all Encumbrances (other than Permitted Encumbrances) on any of the Company's assets securing any such Indebtedness or other amounts.

11.3.13 Common Stockholder Approval. This Agreement and the Merger will have been duly adopted and approved by the Common Stockholder Vote.

ARTICLE 12 TERMINATION, AMENDMENT AND WAIVER

12.1 Termination. This Agreement may be terminated at any time prior to the Effective Time:

12.1.1 by the Parent by written notice to the Company, at any time prior to delivery by the Parent of the Option Exercise Notice;

12.1.2 by the written consent of the Parent and the Company, in each case duly authorized by their respective board of directors;

12.1.3 by the Parent by written notice to the Company, if the Company has not delivered evidence of (i) the Required Stockholder Vote, (ii) the Support Agreements, duly executed by at least the holders of the Required Stockholder Vote, in the case of each of (i) and (ii), no later than the day following the Execution Date, or (iii) the Common Stockholder Vote, within seven days of the Execution Date (collectively, the "Stockholder Vote Notices");

12.1.4 by the Company by written notice to the Parent, prior to the Parent paying to the Company the Option Price, if the Parent has not paid the Option Price to the Company within ten (10) Business Days following the Company's delivery of the Stockholder Vote Notices;

12.1.5 by the Company by written notice to the Parent, following the Option Expiration Date, if on or prior to the Option Expiration Date, the Parent has not delivered an Option Exercise Notice to the Company;

12.1.6 by the Company by written notice to the Parent, prior to the Parent making the applicable Extension Payment, if the Parent has not made the applicable Extension Payment within ten (10) Business Days following the delivery by Parent to the Company of an Extension Notice;

12.1.7 by either the Company or the Parent if the Merger shall not have been consummated on or before the later of (i) the date that is three months following the Option Exercise Date (the "Outside");

Date”), and (ii) if all of the conditions set forth in Article 11 (other than those conditions that by their nature are to be satisfied at Closing) have been satisfied by the Outside Date, except for the condition set forth in Section 11.1.2, 10 Business Days following the date on which clearance under the HSR Act is received; provided, however, that (a) if at any time the Parent makes a final determination signed by an officer of the Parent that it is not commercially reasonable to continue to seek to satisfy the condition set forth in Section 11.1.2 in accordance with the terms of Section 8.3, then the Parent shall provide written notice thereof to the Company, and upon the Company’s receipt of such written notice, this Agreement shall terminate, and (b) the right to terminate this Agreement under this Section 12.1.7 shall not be available (A) to the Company, if any action or failure to act by the Company has been a principal cause of or principally resulted in the failure of the Merger to occur on or before the Outside Date and such action or failure to act constitutes a breach of any representation, warranty, covenant or agreement set forth in this Agreement; or (B) to the Parent, if any action or failure to act by the Parent or the Merger Sub has been a principal cause of or principally resulted in the failure of the Merger to occur on or before the Outside Date and such action or failure to act constitutes a breach of any representation, warranty, covenant or agreement set forth in this Agreement;

12.1.8 by either the Company or the Parent, if a Governmental Entity shall have issued an Order or taken any other action, in any case having the effect of permanently restraining, enjoining or otherwise prohibiting the Merger, which Order is final and non-appealable; provided, however, that the right to terminate this Agreement under this Section 12.1.8 shall not be available to any Party whose breach of any representation, warranty, covenant or agreement set forth in this Agreement has been the cause of, or resulted in, the issuance of any such Order or the taking of any other action by a Governmental Entity having the effect of permanently restraining, enjoining or otherwise prohibiting the Merger;

12.1.9 by the Company, if prior to the Closing Date there shall have been a breach or inaccuracy of any representation or warranty contained in this Agreement on the part of the Parent or the Merger Sub, or the Parent or the Merger Sub has failed to perform or comply with any of its covenants or agreements contained in this Agreement, which breach, inaccuracy or failure to perform or comply would (i) give rise to the failure of a condition set forth in Section 11.2.1 or Section 11.2.2 and (ii) is incapable of being cured prior to the Closing Date by the Parent or the Merger Sub, as the case may be, or is not cured within 60 days of written notice of such breach, inaccuracy or failure to perform or comply; provided, however, that the failure to deliver the payments set forth in Section 4.1.3, Section 4.1.4 and Section 4.2.1 at the Effective Time as required hereunder shall not be subject to cure hereunder unless otherwise agreed to in writing by the Company; provided, further that the Company is not then in material breach of any representation, warranty, covenant or agreement contained in this Agreement;

12.1.10 by the Parent, if prior to the Closing Date there shall have been a breach or inaccuracy of any representation or warranty contained in this Agreement on the part of the Company or the Company has failed to perform or comply with any of its covenants or agreements contained in this Agreement, which breach, inaccuracy or failure to perform or comply would (i) give rise to the failure of a condition set forth in Section 11.3.1 or Section 11.3.2 and (ii) is incapable of being cured prior to the Closing Date by the Company or is not cured within 60 days of written notice of such breach, inaccuracy or failure to perform or comply; provided, that the Parent is not then in material breach of any representation, warranty, covenant or agreement contained in this Agreement; or

12.1.11 by the Parent, if, at any time, a Governmental Entity shall have issued an order or brought an Action under the HSR Act or any other Antitrust Law (i) seeking to prohibit, restrain or delay, or to obtain substantial damages with respect to, the consummation of the Merger or any of the other transactions contemplated by this Agreement or the other Transaction Documents or (ii) seeking any Remedial Action.

12.2 Notice of Termination; Effect of Termination. In the event of the termination of this Agreement as provided in Section 12.1, this Agreement shall be of no further force or effect and there shall be no further Liability on the part of any Party hereto; provided, however, that nothing herein will relieve or release any Party from Liability arising from a breach of this Agreement by such Party; provided, further, that Section 10.4.2 (Indemnification of the Stockholder Representative), Section 12.1 (Termination), this Section 12.2 (Notice of Termination; Effect of Termination), Article 13 (General Provisions) and Article 1 (Definitions) (to the extent required for interpretation of the other surviving provisions of this Agreement) shall survive the termination of this Agreement.

ARTICLE 13 GENERAL PROVISIONS

13.1 Amendment. The Parties may amend this Agreement at any time pursuant to an instrument in writing signed on behalf of each Party.

13.2 Extension; Waiver. Any Party hereto may, to the extent allowed under applicable Law, (i) extend the time for the performance of any of the obligations or other acts of the other Parties hereto, (ii) waive any inaccuracies in the representations and warranties made to such Party contained herein or in any document delivered pursuant hereto, or (iii) waive compliance with any of the agreements or conditions for the benefit of such Party contained herein. Subject to the foregoing, any agreement on the part of a Party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party. Delay in exercising any right under this Agreement shall not constitute a waiver of such right.

13.3 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given upon delivery either personally or by commercial delivery service, or delivered by email (receipt confirmed) to any applicable Party at the applicable following address or email address (or at such other address or email address for such Party as such Party shall specify by like notice, except that, notwithstanding any notice by any Company Holder to the contrary, any notice or communication to the Stockholder Representative after the Effective Time shall be deemed to be a notice or communication to each Company Holder):

If to the Parent or the Merger Sub:

Alcon Research, Ltd.
c/o Alcon Laboratories, Inc.
6201 South Freeway
Fort Worth, TX 76134
Attention: Head, Global Alliances
E-mail: [***]

and

Alcon Research, Ltd.
6201 South Freeway
Fort Worth, Texas 76134
Attention: General Counsel
E-mail: [***]

with a copy (that shall not constitute notice) to:

Hogan Lovells US LLP
875 Third Avenue
New York, NY 10022
Attention: Adam H. Golden and Michael Szlamkowicz
E-mail: [***]
[***]

If to the Company:

Ivantis, Inc.
38 Discovery, Suite 150
Irvine, CA 92618
Attention: Dave Van Meter
E-mail: [***]

with a copy (that shall not constitute notice) to:

Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attention: Bruce Feuchter and Jeff Estes
E-mail: [***]
[***]

If to any Company Holder or the Stockholder Representative:

Shareholder Representative Services LLC
950 17th Street, Suite 1400
Denver, Colorado 80202
Attention: Managing Director
E-mail: [***]

with a copy (that shall not constitute notice) to:

Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attention: Bruce Feuchter and Jeff Estes
E-mail: [***]
[***]

13.4 Assignment. No Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written consent of (i) the Parent and (ii) the Company (if prior to the Effective Time) or the Stockholder Representative (if on or after the Effective Time); provided, that after the Effective Time, the Parent may assign this Agreement to any Affiliate thereof so long as the Parent remains liable for performance under this Agreement. Any change in control of Parent shall not constitute an assignment of this Agreement. Subject to the preceding sentence, this Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns. Any purported assignment in violation of this Section 13.4 shall be null and void.

13.5 Successors. The provisions of this Agreement shall be binding upon the heirs, legal representatives, successors and assigns of each Party or Company Holder, and any references in this Agreement to any Party or Company Holder shall mean and include the successors to the rights of such Party or Company Holder under this Agreement or any other Transaction Document, as applicable, whether pursuant to testamentary disposition, the laws of descent and distribution, assignment or otherwise.

13.6 Non-Recourse. Except with respect to the Stockholder Representative's right to enforce the terms of Article 10 against the Company Holders, this Agreement may only be enforced against, and any claims or causes of action that may arise out of this Agreement, or the negotiation, execution or performance of this Agreement may only be made against the Persons that are parties to this Agreement in their capacities as such, and, except as set forth in Article 10 with respect to the rights of the Stockholder Representative contained therein, no former, current or future equityholders, controlling persons, directors, officers, employees, agents or Affiliates of any Party, or any former, current or future equityholder, controlling person, director, officer, employee, agent or Affiliate of any of the foregoing shall have any liabilities for any obligations or liabilities of the parties to this Agreement for any claims or causes of action arising out of this Agreement or the negotiation, execution or performance of this Agreement.

13.7 Governing Law; Consent to Jurisdiction. This Agreement and all matters arising out of or relating hereto, including its validity, construction and interpretation, shall be governed by the laws of the State of Delaware (including in respect of the statute of limitations or other limitations period applicable to any claim, controversy or dispute), without regard to the laws as to choice or conflicts of law. Each of the parties hereto irrevocably (i) submits itself to the exclusive jurisdiction of the Chancery Court of the State of Delaware (or in the event, but only in the event, that such court does not have subject matter jurisdiction over such action or proceeding, the Superior Court of the State of Delaware or the United States District Court for the District of Delaware) for the purpose of any Action directly or indirectly based upon, relating to or arising out of this

Agreement or the Merger or the negotiation, execution or performance hereof or thereof; (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court; and (iii) agrees that it will not bring any Action relating to this Agreement or the Merger in any court other than the Chancery Court of the State of Delaware (or in the event, but only in the event, that such court does not have subject matter jurisdiction over such action or proceeding, in the Superior Court of the State of Delaware or the United States District Court for the District of Delaware). Each of the parties hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any Action with respect to this Agreement, (A) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason other than the failure to serve in accordance with this Section 13.7, (B) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise), and (C) to the fullest extent permitted by the applicable Law, any claim that (1) the suit, action or proceeding in such court is brought in an inconvenient forum, (2) the venue of such suit, action or proceeding is improper, or (3) this Agreement, or the subject matter of this Agreement, may not be enforced in or by such courts. Each of the parties hereby irrevocably consents to service being made through the notice procedures set forth in Section 13.3 and agrees that service of any process, summons, notice or documents by personal delivery to the respective addresses set forth in Section 13.3 shall be effective service of process for any litigation in connection with this Agreement or the transactions contemplated hereby. Nothing in this Section 13.7 shall affect the right of any party to serve legal process in any other matter permitted by Law.

13.8 Specific Performance. The Parties agree that irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement. Each of the Parties hereby agrees to waive: (i) the defense that an adequate remedy at law exists or that specific performance or equitable or injunctive relief is unenforceable, invalid, contrary to law or inequitable for any reason with respect to any breach of this Agreement; and (ii) any requirement under any Law to post a bond or other security as a prerequisite to obtaining equitable relief. The equitable remedies described in this Section 13.8 shall be in addition to, and not in lieu of, any other remedies at law or in equity that the parties to this Agreement may elect to pursue.

13.9 Waiver of Jury Trial. EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED BY THE OTHER PARTIES HERETO THAT THIS SECTION 13.9 CONSTITUTES A MATERIAL INDUCEMENT UPON WHICH THEY ARE RELYING AND SHALL RELY IN ENTERING INTO THIS AGREEMENT. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 13.9 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

13.10 Disclosure Schedules. The Company has provided a schedule of exceptions to the representations and warranties set forth in Article 5, attached hereto (the "Company Disclosure Schedule"). Any information set forth in any Section or Subsection of the Company Disclosure Schedule shall be deemed to be disclosed for purposes of such Section or Subsection and for purposes of each other Section and Subsection of the Company Disclosure Schedule (whether or not specific cross-references are made), in each case, solely to the extent that is reasonably apparent on the face of such disclosure that it also qualifies or applies to such other Section or Subsection. Nothing in the Company Disclosure Schedule is intended to broaden the scope of any representation or warranty contained in this Agreement or to create any covenant. No reference to or disclosure of any item or other matter in the Company Disclosure Schedule shall: (i) represent a determination that such item or other matter is material (or otherwise establish a standard of materiality) or that such item or matter is required to be referred to or disclosed in the Company Disclosure Schedule; and (ii) represent a determination that such item or other matter did not arise in the ordinary course of business. The information contained in the Company Disclosure Schedule is provided solely for purposes of making disclosures to the Parent and the Merger Sub under this Agreement. In disclosing such information, the Company does not waive any attorney-client privilege associated with such information or any protection afforded by the work-product doctrine with respect to any of the matters disclosed or discussed in the Company Disclosure Schedule. For purposes of the Company's representations and warranties on and as of

the Closing Date, “Company Disclosure Schedule” shall mean the Updated Disclosure Schedule most recently delivered by the Company to the Parent.

13.11 Entire Agreement; Third Party Beneficiaries. This Agreement, the other Transaction Documents, their respective Exhibits and Schedules, the certificates referred to in Sections 11.2.1, 11.2.2, 11.3.1, and 11.3.2 hereof and the Company Disclosure Schedule, (i) constitute the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter hereof; and (ii) are not intended to confer upon any other Person any rights or remedies hereunder, except the rights of the Company Indemnitees under Section 8.4 hereof.

13.12 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability and shall not render invalid or unenforceable the remaining terms and provisions of this Agreement or affect the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. The Parties further agree to replace such invalid or unenforceable provision of this Agreement with a valid and enforceable provision that shall achieve, to the extent possible, the economic, business and other purposes of such invalid or unenforceable provision. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

13.13 Mutual Drafting. The Parties have been represented by counsel who have carefully negotiated the provisions hereof. As a consequence, the Parties do not intend that the presumptions of any laws or rules relating to the interpretation of contracts against the drafter of any particular clause should be applied to this Agreement and therefore waive their effects.

13.14 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parent, the Merger Sub, the Company and the Stockholder Representative and delivered to the Parent and the Company, it being understood that all such Parties need not sign the same counterpart. The Parties agree that all signatures of the Parties to this Agreement may be transmitted by facsimile or email or other electronic or digital means, and such facsimile, email or other electronic delivery will, for all purposes, be deemed to be the original signature of such Party whose signature it reproduces, and shall be sufficient to bind the Parties to the terms and provisions of this Agreement.

13.15 Expenses. Except as otherwise expressly provided herein or in any Transaction Document, all expenses incurred by the Parties hereto shall be borne solely by the Party that has incurred such expenses, provided, that the Parent shall pay all fees of the Payments Administrator in relation to the Payments Administration Agreement and each of the Parent and the Stockholder Representative (through the Stockholder Representative Reimbursement Fund and/or other sources of funds available to the Stockholder Representative therefor as provided in Article 10) shall each pay one-half of all fees of the Escrow Agent. Subject to Section 8.4 hereof, all fees and expenses payable to any counsel or advisor engaged by any Company Holder in connection with the transactions contemplated by this Agreement shall be paid by such Company Holder and shall not be payable by the Parent, the Company, the Stockholder Representative or the Surviving Corporation.

13.16 Waiver of Conflict; Communications. Effective as of the Closing, the Parent hereby waives and agrees not to assert, and the Parent agrees to cause the Surviving Corporation and each of its Subsidiaries to waive and not to assert, any conflict of interest arising out of or relating to any representation after the Closing (any “Post-Closing Representation”) by Stradling Yocca Carlson & Rauth, P.C. or in-house counsel of the Stockholder Representative, any Company Holder, any of their respective Affiliates or any officer, employee or director of the Stockholder Representative, any Company Holder or the Company (any such Person, a “Designated Person”) in any matter involving this Agreement or any agreement, certificate, instrument or other document executed or delivered pursuant to this Agreement or any transaction contemplated hereby or thereby (including any litigation, arbitration, mediation or other proceeding and including any matter regarding the negotiation, execution, performance or enforceability hereof or thereof) (the “Current Representation”).

13.17 Attorney-Client Privilege. Effective as of the Closing, the Parent hereby agrees not to control or assert, and the Parent agrees to cause the Surviving Corporation and each of its Subsidiaries not to control or assert, in connection with any Post-Closing Representation any attorney-client privilege, work product protection or other similar privilege or protection applicable to any communication between Stradling Yocca

Carlson & Rauth, P.C. or in-house counsel and any Designated Person solely to the extent such communication was made in connection with and relates to the Current Representation, including in connection with a dispute with the Parent, the Surviving Corporation or any of their respective Affiliates (including, after the Closing, the Relevant Companies), it being the intention of the parties hereto that, notwithstanding anything to the contrary in Section 259 of the General Corporation Law of the State of Delaware, as amended, all rights of the Company or the Surviving Corporation under or with respect to such attorney-client privilege, work product protection or other similar privilege or protection, including the right to waive, assert and otherwise control such attorney-client privilege, work product protection or other similar privilege or protection, shall be (and are hereby) transferred to or retained by (as applicable), and vested solely in, such Designated Person.

IN WITNESS WHEREOF, the Parent, the Merger Sub, the Company and the Stockholder Representative have caused this Option Agreement to be duly executed and delivered as of the date first written above.

PARENT:

ALCON RESEARCH, LTD.

By: /s/ Laurent Attias
Name: Laurent Attias
Title: Senior VP, Corporate Strategy, BD&L and
M&A

MERGER SUB:

ITHACA MERGER SUB, INC.

By: /s/ Laurent Attias
Name: Laurent Attias
Title: Vice President

COMPANY:

IVANTIS, INC.

By: /s/ David Van Meter
Name: David Van Meter
Title: President/CEO

STOCKHOLDER REPRESENTATIVE:

SHAREHOLDER REPRESENTATIVE SERVICES LLC,
solely in its capacity as Stockholder Representative

By:
Name:
Title:

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT, MARKED BY “[***]”, WERE OMITTED BECAUSE THOSE PORTIONS ARE NOT MATERIAL AND CUSTOMARILY AND ACTUALLY TREATED BY THE COMPANY AS PRIVATE OR CONFIDENTIAL.

AMENDMENT NO. 1 TO OPTION AGREEMENT AND PLAN OF MERGER

THIS AMENDMENT NO. 1 TO OPTION AGREEMENT AND PLAN OF MERGER (this “Amendment”) is made and entered into as of December 16, 2019 (the “Amendment Date”) by and among (a) Alcon Research, LLC, a Delaware limited liability company which was formerly known as Alcon Research, Ltd., a Delaware corporation (the “Parent”), (b) Ithaca Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of the Parent (the “Merger Sub”), (c) Ivantis, Inc., a Delaware corporation (the “Company”), and (d) the Stockholder Representative.

Recitals

WHEREAS, Parent, Merger Sub, the Company, and the Stockholder Representative entered into an Option Agreement and Plan of Merger, dated as of November 9, 2018, (the “Option Agreement”).

WHEREAS, within five Business Days after the delivery by the Company to the Parent of the Amendment Stockholder Vote Notices, in consideration of the changes to the Option Agreement contemplated herein, Parent shall pay to the Company a one-time, non-refundable amount equal to \$[***] (the “Additional Option Price”), via wire transfer of immediately available funds to an account designated in writing by the Company.

WHEREAS, promptly following the execution and delivery of this Amendment by the Company, the Company shall seek approval of this Amendment, the Option, the Merger and the other transactions contemplated by the Agreement (as modified by this Amendment) by written consent (the “Amendment Stockholder Written Consent”) by the Required Stockholder Vote (as defined herein) in accordance with applicable Law and the Company Charter Documents (as defined herein), and as otherwise required hereunder.

WHEREAS, pursuant to Section 13.1 of the Option Agreement, the Option Agreement may be amended by an instrument in writing signed on behalf of each of Parent, Merger Sub and the Company.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements set forth in this Amendment, the Parties agree as follows.

1. Definitions. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Option Agreement.

2. Effectiveness. This Amendment shall be effective as of the date first written above.

3. Additions to Definitions. The following definitions are hereby added to Section 1.1 of the Option Agreement.

“Action Decision Date” shall mean the earlier of: (a) if no post-trial or post-judgment motions are filed by any party in the Specified Action, the date on which the time for filing any such motions has expired; (b) if post-trial or post-judgment motions are filed by any party in the Specified Action, the date of the

Order of the District Court deciding the last of such motions; and (c) the date of dismissal with prejudice of all claims in the Specified Action including pursuant to a Settlement.

“Additional Option Price” has the meaning set forth in the Recitals to the Amendment.

“Amendment Stockholder Vote Notices” has the meaning set forth in Section 12.1.3.

“Amendment Stockholder Written Consent” has the meaning set forth in the Recitals to the Amendment.

“District Court” shall mean United States District Court for the Central District of California.

“Final Judgment” shall mean the final judgment entered by the District Court in the Specified Action that reflects the District Court’s rulings on any and all post-trial or post-judgment motions filed by any party in the Specified Action; provided, that if the District Court alters the remedies set out in a judgment it enters prior to the filing of any post-trial or post-judgment motions by virtue of ruling on any such motion, the Final Judgment shall be deemed to reflect the remedies as ordered by the District Court following entry of its disposition of any such motion, whether or not the District Court enters a separate final amended judgment.

“Lump Sum Payment” shall mean any amounts paid or payable by the Company, the Parent and/or one or more of their Affiliates as required by the Final Judgment or a Settlement other than (a) Past Damages, (b) Ongoing Royalty Obligations and (c) any such amounts to the extent actually paid prior to the Closing.

“Milestone Cap” shall mean (a) \$[***], or (b) if there has been a Final Judgment that imposes (i) an Ongoing Royalty Obligation, an amount equal to the sum of (A) \$[***], plus (B) the Royalty Reduction Amount, or (ii) a Specified Injunction, \$[***]

“Ongoing Royalty Obligation” shall mean any amounts paid or payable by the Company, the Parent and/or one or more of their Affiliates, based on a royalty rate specified in the Final Judgment or a Settlement, attributable to sales of Products after the Action Decision Date.

“Past Damages” shall mean any amounts paid or payable by the Company, the Parent and/or one or more Affiliates pursuant to the Final Judgment attributable to sales of Products prior to the Action Decision Date other than any such amounts to the extent actually paid prior to the Closing.

“Royalty Reduction Amount” shall mean, if the royalty rate of any Ongoing Royalty Obligation is (a) less than or equal to forty percent (40%), the product of (i) such percentage, expressed as a decimal, multiplied by 100 and (ii) \$[***]; or (b) greater than forty percent (40%), \$[***]. By way of example, if the royalty rate of any Ongoing Royalty Obligation is five and one-half percent (5.5%), then the Royalty Reduction Amount shall equal \$[***] (i.e., $(0.055 \times 100) \times [***]$).

“Settlement” shall mean a final settlement between the parties to the Specified Action that results in the dismissal with prejudice of all claims in the Specified Action.

“Specified Action” shall mean the action entitled *Glaukos Corporation v. Ivantis, Inc.*, Case No. 8:18-cv-00620-JVS-JDE, pending in the District Court.

“Specified Action Closing Consideration Adjustment” shall mean: (a) if the Final Judgment does not impose a Specified Injunction, the sum of (i) if there is an Ongoing Royalty Obligation, the Royalty Reduction Amount *plus* (ii) if there is a Lump Sum Payment, the amount of such Lump Sum Payment; or (b) if the Final Judgment imposes a Specified Injunction, \$[***].

“Specified Injunction” shall mean any permanent injunction or other similar Order that is in the nature of a permanent injunction issued as part of the Final Judgment or otherwise in connection with the Final Judgment or the Specified Action which, by the terms of such injunction or other Order, precludes the Company, the Parent or any of their Affiliates from selling any Product in the United States (other than any such permanent injunction or Order which precludes the Company, the Parent or any of their Affiliates for a period of less than six months), whether effective immediately or at a future date.

4. Removals to Definitions. The definitions of ‘858 IPR Decision and ‘858 IPR Decision Date are hereby removed from Section 1.1 of the Option Agreement.

5. Amendments to Definitions. The word “or” is hereby deleted immediately prior to clause “(ii)” in the proviso to the definition of Damages, and the phrase “, or (iii) Lump Sum Payments (other than any Lump Sum Payments to the extent actually included in the Specified Action Closing Consideration Adjustment at the Closing) or Past Damages” is hereby added to the end of the proviso to the definition of Damages. The words “other than with respect to the Specified Action,” are hereby added immediately prior to the phrase “not resulting in the entry of a preliminary or permanent injunction prior to the Effective Time” in clause (vii) of the definition of Company Material Adverse Effect. The definition of “Net Sales” is hereby amended to include net sales recorded by the Relevant Companies prior to the Closing, with other changes to such definition *mutatis mutandis*. Additionally, the following definitions in the Option Agreement are hereby amended and restated in their entirety as follows:

“Data Request Trigger Date” shall mean the first Data Request Date on or after July 1, 2020.

“Enterprise Value” shall mean \$[***].

“Option Expiration Date” shall mean 11:59 p.m., Eastern Time, on the date that is 45 days after the Action Decision Date.

“Total Closing Consideration” shall mean the Enterprise Value, plus the Aggregate Exercise Price plus each of (i) Closing Cash, and (ii) the amount, if any, by which Net Working Capital exceeds Target Working Capital, minus each of (i) Closing Indebtedness, (ii) Transaction Expenses, (iii) the amount, if any, by which Target Working Capital exceeds Net Working Capital, in each case of (i) through (iii) as adjusted pursuant to Section 3.4 and 3.5, and (iv) the Specified Action Closing Consideration Adjustment.

6. **Amendment to Section 2.1.1.** Section 2.1.1 of the Option Agreement is hereby amended and restated in its entirety as follows:

In consideration for the Option and the Amendment and so long as this Agreement remains in effect, the Parent shall (a) within five Business Days following delivery by the Company to the Parent of the Stockholder Vote Notices, pay to the Company a one-time, non-refundable amount equal to the Option Price, via wire transfer of immediately available funds to an account designated in writing by the Company no later than one Business Day following the Execution Date, and (b) within five Business Days following delivery by the Company to the Parent of the Amendment Stockholder Vote Notices, in consideration for the changes to this Agreement contemplated by the Amendment, pay to the Company a one-time, non-refundable amount equal to the Additional Option Price, via wire transfer of immediately available funds to an account designated in writing by the Company prior to the date of the Amendment. Nothing in this Agreement shall be deemed to require the Parent to exercise the Option and consummate the Merger, which shall be within the Parent's sole and absolute discretion. The Company shall use the proceeds from the Option Price and the Additional Option Price only for the operational needs of the Company.

7. **Amendment to Section 2.1.3.** The first sentence of Section 2.1.3 of the Option Agreement is hereby amended and restated in its entirety as follows:

The Parent shall be permitted to extend the Option Expiration Date (as may have been extended pursuant to Section 2.1.2.4) by up to one month, in one whole month increment, by delivering written notice to the Company (an "Extension Notice") prior to the then Option Expiration Date (as may be extended pursuant to Section 2.1.2.4).

8. **Amendment to Section 3.2.3.** Section 3.2.3 of the Option Agreement is hereby amended and restated in its entirety as follows:

In no event will the aggregate amounts paid by the Parent pursuant to Section 3.2.1.2 exceed the Milestone Cap.

9. **Amendment to Section 3.4.2.** The words "as well as the Specified Action Closing Consideration Adjustment" are hereby added after "the calculation of Total Closing Consideration resulting from each of the foregoing estimates of the components thereof" in Section 3.4.2 of the Option Agreement.

10. **Amendment to Section 3.5.1.** The words "as well as the Specified Action Closing Consideration Adjustment" are hereby added after "the calculation of Total Closing Consideration resulting from each of the foregoing components thereof" in Section 3.5.1 of the Option Agreement.

11. **Amendment to Section 8.1.5.** The reference to "Novartis AG" is hereby removed from Section 8.1.5 to the Option Agreement.

12. **Amendment to Section 8.2.** Section 8.2 of the Option Agreement is hereby amended and restated in its entirety as follows:

Promptly following the effective date of the Amendment Stockholder Written Consent, but in any event no later than 10 days thereafter, the Company shall mail to each holder of the Company Capital Stock entitled to vote on the

adoption of this Agreement that did not consent to the adoption of this Agreement and the Amendment a notice informing such holder of the approval of the adoption of this Agreement and the Amendment by the Required Stockholder Vote pursuant to Section 228 of Delaware Law. Such notice shall comply with all applicable Laws and include, among other things, (a) a summary of the Merger, this Agreement and the Amendment and the statutory notice that the Merger has been approved by the requisite vote of the stockholders of the Company, and (b) statements that (i) if viewed as necessary, this Agreement and the Amendment shall be offered to be available to holders of Company Capital Stock upon request and (ii) information regarding any rights of appraisal applicable to any holder of Company Capital Stock will be provided at an appropriate time in compliance with all applicable Laws. At such time as the Parent and the Company agree, but in no event later than 10 days following the Effective Time, the Company shall mail to each holder of Company Capital Stock who was entitled to vote on the adoption of this Agreement and the Amendment that did not consent to the adoption of this Agreement or the Amendment a notice pursuant to Section 262 of Delaware Law that the holders of Company Capital Stock are or may be entitled to assert appraisal rights under such Delaware Law, together with a copy of Section 262 of Delaware Law. The Company shall submit a draft of such notice to the Parent for review and comment for a reasonable period of time (but not less than five Business Days) prior to mailing and shall incorporate therein any changes or comments that the Parent may reasonably request. The Company covenants and agrees that such notice, excluding the changes or comments of the Parent incorporated therein and the effect thereof, will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

13. Amendment to Section 8.12. Each instance of the words “the Execution Date” in Section 8.12 of the Option Agreement are hereby replaced with “each of the Execution Date and the Amendment Date”.

14. Insertion of Section 8.25. Section 8.25 of the Option Agreement is hereby added as follows:

Prior to the Closing, the Company shall be entitled to control the defense of the Specified Action. Prior to the execution of any Settlement, the Company shall, and shall cause its applicable Subsidiaries (and its and its applicable Subsidiaries’ Representatives) to, (a) provide the Parent and its Representatives with a reasonable opportunity to review in good faith all documents relating to any Settlement (including any proposal by or on behalf of any party to the Specified Action which could reasonably be expected to lead to a Settlement) and (b) consider in good faith any comments or recommendations of the Parent and its Representatives with respect to such documents (except that the Company shall not be required to accept and/or implement any of such comments or recommendations).

15. Amendment to Section 9.1.9. The word “Losses” is hereby replaced with “Damages” in Section 9.1.9 of the Option Agreement.

16. Amendment to Section 9.8.2. The words “including the Specified Action” are hereby added to the end of clause “(B)” of Section 9.8.2 of the Option Agreement.

17. Amendment to Section 11.1.3. Section 11.1.3 of the Option Agreement is hereby amended and restated in its entirety as follows:

This Agreement, the Amendment and the Merger will have been duly adopted and approved by the Required Stockholder Vote.

18. Amendment to Section 11.3.13. Section 11.3.13 of the Option Agreement is hereby amended and restated in its entirety as follows:

This Agreement, the Amendment and the Merger will have been duly adopted and approved by the Common Stockholder Vote.

19. Amendment to Section 12.1.3. Section 12.1.3 of the Option Agreement is hereby amended and restated in its entirety as follows:

by the Parent by written notice to the Company, if the Company has not delivered evidence of (a) (i) the Required Stockholder Vote, (ii) the Support Agreements, duly executed by at least the holders of the Required Stockholder Vote, in the case of each of (a)(i) and (a)(ii), no later than the day following the Execution Date, or (iii) the Common Stockholder Vote, within seven days of the Execution Date (collectively, the “Stockholder Vote Notices”) and (b) (i) the Required Stockholder Vote no later than the day following the Amendment Date, or (ii) the Common Stockholder Vote, within seven days of the Amendment Date (collectively, the “Amendment Stockholder Vote Notices”);

20. Amendment to Section 12.1.4. Section 12.1.4 of the Option Agreement is hereby amended and restated in its entirety as follows:

by the Company by written notice to the Parent, (a) prior to the Parent paying to the Company the Option Price, if the Parent has not paid the Option Price to the Company within ten (10) Business Days following the Company’s delivery of the Stockholder Vote Notices or (b) prior to the Parent paying to the Company the Amendment Option Price, if the Parent has not paid the Amendment Option Price to the Company within ten (10) Business Days following the Company’s delivery of the Amendment Stockholder Vote Notices;

21. Amendment to Section 13.8. The following sentence is hereby added immediately after the first sentence of Section 13.8 of the Option Agreement:

The Parties further acknowledge and agree that the Company is a unique asset and will yield value of an unquantifiable nature once combined with the Merger Sub as a Subsidiary of the Parent.

22. Global Changes. The following shall be replaced throughout the Agreement as follows:

Each instance of “Alcon Research, Ltd.” shall be replaced by “Alcon Research, LLC”.

Each instance of “Alcon Laboratories, Inc.” shall be replaced by “Alcon Vision, LLC”.

Each instance of “875 Third Avenue, New York, New York 10017” (and corresponding text in differing formats) shall be replaced by “390 Madison Avenue, New York, New York 10017”.

Each instance of “38 Discovery, Suite 150, Irvine, California, 92618” (and corresponding text in different formats) shall be replaced by “201 Technology, Irvine, California 92618”.

23. No Implied Amendment or Waiver. Except as expressly set forth in this Amendment, this Amendment shall not, by implication or otherwise, limit, impair, constitute a waiver of or otherwise affect any rights or remedies of any party under the Option Agreement, or alter, modify, amend or in any way affect any of the terms, obligations or covenants contained in the Option Agreement, all of which shall continue in full force and effect. Nothing in this Amendment shall be construed to imply any willingness on the part of either party to agree to or grant any similar or future amendment, consent or waiver of any of the terms and conditions of the Option Agreement.

24. Miscellaneous. Sections 13.5, Section 13.7 through 13.9, and Section 13.11 through 13.15 of the Option Agreement are incorporated by reference herein, *mutatis mutandis*.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written.

PARENT:

ALCON RESEARCH, LLC

By: /s/ Laurent Attias
Name: Laurent Attias
Title: Senior Vice President, Corporate
Strategy, BD&L and M&A

MERGER SUB:

ITHACA MERGER SUB, INC.

By: /s/ Laurent Attias
Name: Laurent Attias
Title: Vice President

[Signature Page to Amendment]

COMPANY:

IVANTIS, INC.

By: /s/ Dave Van Meter
Name: Dave Van Meter
Title: President/CEO

STOCKHOLDER REPRESENTATIVE:

SHAREHOLDER REPRESENTATIVE
SERVICES LLC, solely in its capacity as
Stockholder Representative

By:
Name:
Title:

**Certification of CEO Pursuant to Securities Exchange Act
Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, David J. Endicott, certify that:

1. I have reviewed this annual report on Form 20-F of Alcon Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 15, 2022 /s/ David J. Endicott
David J. Endicott
Chief Executive Officer

**Certification of CFO Pursuant to Securities Exchange Act
Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Timothy C. Stonesifer, certify that:

1. I have reviewed this annual report on Form 20-F of Alcon Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 15, 2022 /s/ Timothy C. Stonesifer
Timothy C. Stonesifer
Chief Financial Officer

Certification of CEO Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that:

- (1) this annual report for Alcon Inc. (the “Company”) on Form 20-F for the period ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (this “Report”), fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered therein.

/s/ David J. Endicott

David J. Endicott
Chief Executive Officer

February 15, 2022

Certification of CFO Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that:

- (1) this annual report for Alcon Inc. (the “Company”) on Form 20-F for the period ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (this “Report”), fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered therein.

/s/ Timothy C. Stonesifer
Timothy C. Stonesifer
Chief Financial Officer

February 15, 2022



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-230794) of Alcon Inc. of our report dated February 15, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers LLP

Fort Worth, Texas
February 15, 2022