

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, 2022
 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	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
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Non-accelerated Filer	<input type="checkbox"/>	Emerging Growth Company	<input type="checkbox"/>
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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.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to

previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b)

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 Depository Receipt holders as approved by Novartis shareholders at their Annual General Meeting held on February 28, 2019. In this Annual Report, references to the "eye care market" are to the Surgical and Vision Care markets in which we participate, including the sale of ophthalmic surgical devices, contact lenses and ocular health products, but not including the sale of spectacles and prescription ophthalmic pharmaceutical products other than glaucoma pharmaceutical products; references to "United States dollars", "US dollars", "USD" or "\$" are to the lawful currency of the United States of America, and references to "CHF" are to Swiss francs, the lawful currency of Switzerland; references to "International" are to the entire world except the United States of America, unless the context otherwise requires; references to "associates" are to our employees; references to the "SEC" are to the US Securities and Exchange Commission; references to the "FDA" are to the US Food and Drug Administration; references to "EMA" are to the European Medicines Agency, an agency of the EU; references to the "NYSE" are to the New York Stock Exchange; references to the "SIX" are to the SIX Swiss Exchange; references to "AT-IOL" mean advanced technology intraocular lenses; and references to "Alcon shares" or "our shares" are to Alcon ordinary shares, nominal value CHF 0.04 per share, with ticker symbol "ALC."

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

MARKET INFORMATION

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

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

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

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

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

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

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

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

1.A. DIRECTORS AND SENIOR MANAGEMENT

Not Applicable.

1.B. ADVISERS

Not Applicable.

1.C. AUDITORS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

3.A. [RESERVED]

3.B. CAPITALIZATION AND INDEBTEDNESS

Not Applicable.

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

Not Applicable.

3.D. RISK FACTORS

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

Risks Related to Our Business Generally

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may be unable to attract and retain qualified personnel.

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

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

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

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

Unauthorized or illegal distribution may harm our business and reputation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our indebtedness may:

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

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

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

We may need to raise additional funds to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The manufacture of our products is highly regulated and complex.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks related to the Ownership of our Shares

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

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

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

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

We may not pay or declare dividends.

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

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

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

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

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

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

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

We may lose our foreign private issuer status.

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

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

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

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

It may be difficult to enforce US judgments against us.

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

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

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

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

ITEM 4. INFORMATION ON THE COMPANY

4.A. HISTORY AND DEVELOPMENT OF THE COMPANY

General Corporate Information

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

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

General Development of Business

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

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

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

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

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

Significant Acquisitions, Dispositions and other Events

Significant Investments

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

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

Acquisitions

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

Debt Issuances

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

2019 US Bond Issuance

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

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

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

2020 US Bond Issuance

On May 27, 2020, AFC issued senior notes due in 2030 ("Series 2030 Notes"), which are guaranteed by the Company. The Series 2030 Notes are unsecured senior obligations of AFC issued in a private placement and rank equally in right of payment with the Initial Notes. The total principal amount of the Series 2030 Notes is \$750 million. The Series 2030 Notes were issued at 99.8% with 2.600% interest payable twice per year in May and November, beginning in November 2020. For more information on the Series 2030 Notes, see Note 16 to our Consolidated Financial Statements.

2022 Euro Bond Issuance

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

2022 Bridge Loan Facility

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

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

2022 US Bond Issuance

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

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

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

Transformation Program

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

War on Ukraine

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

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

COVID-19 Pandemic

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

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

Additional Information

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

4.B. BUSINESS OVERVIEW

Overview

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

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

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

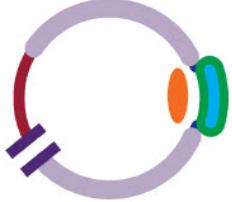
We are dedicated to providing innovative products that enhance quality of life by helping people see brilliantly. Our strong foundation is based on our longstanding success as a trusted brand, our legacy of industry firsts and advancements, our leading positions in the markets in which we compete and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

Our Markets

Overview

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

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



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

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

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

The Vision Care Market

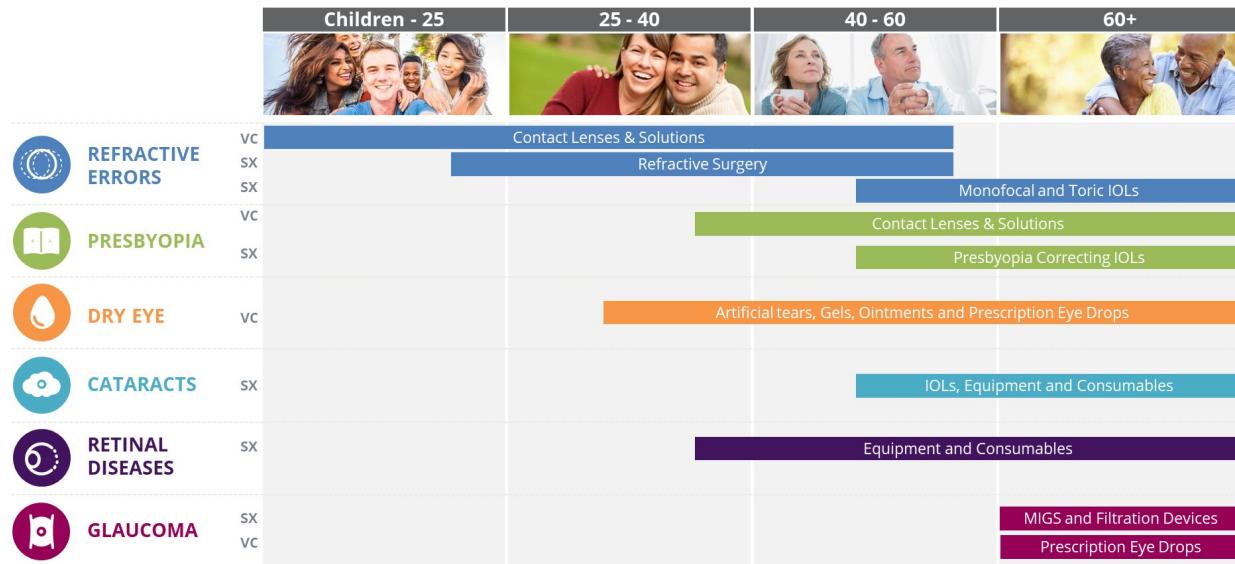
The vision care market in which we operate is estimated to be approximately \$20 billion and is projected to grow mid-single digits per year from 2022 to 2027. The vision care market is comprised of products designed for use by eye care professionals and consumers. Products are largely categorized across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

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

Our Business

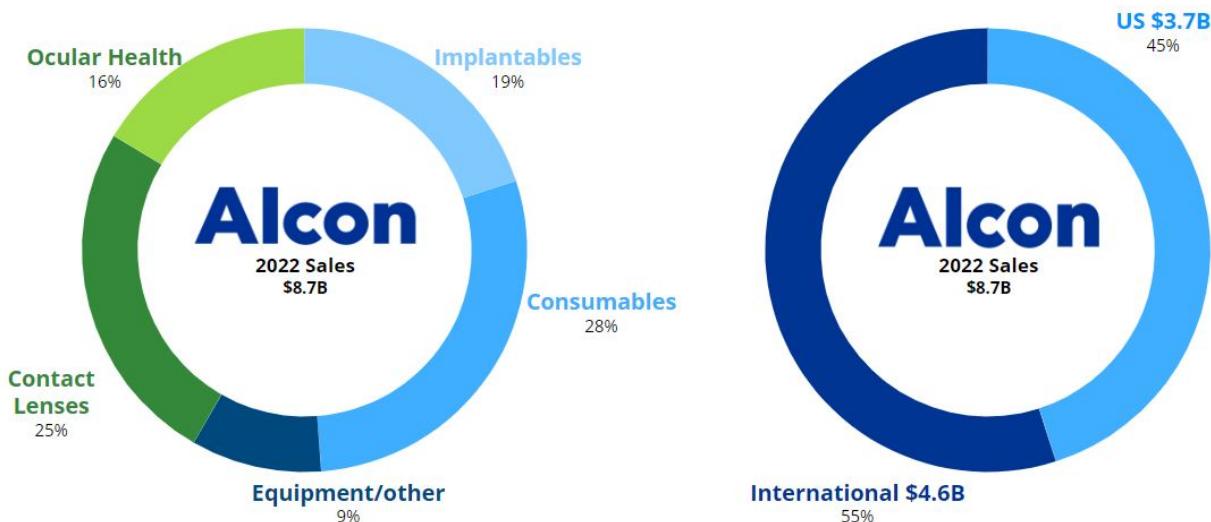
Overview

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



VISION CARE (VC) includes contact lenses and ocular health products, including artificial tears, allergy drops, and glaucoma drops
 SURGICAL (SX) includes intraocular lenses (IOLs), surgical equipment, consumables, and MIGS devices

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



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

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

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

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

Our Surgical Business

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

Our Vision Care Business

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

Our Strengths

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

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

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

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

Our Strategy

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

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

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

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

Our Industry

Selected Conditions that are Treated by Eye Surgery and Surgical Products

Cataracts

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

Retinal Disorders

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

Refractive Errors

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

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

Presbyopia

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

Glaucoma

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

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

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

Refractive Errors

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

Dry Eye Disease

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

Infections and Contamination due to Inadequate Contact Lens Care

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

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

Ocular Allergies

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

Glaucoma

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

Our Products

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

Surgical

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

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

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

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

Surgical Portfolio

Cataract Suite



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

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

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

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

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

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

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

Surgical Portfolio

Implantables



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

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

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

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

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

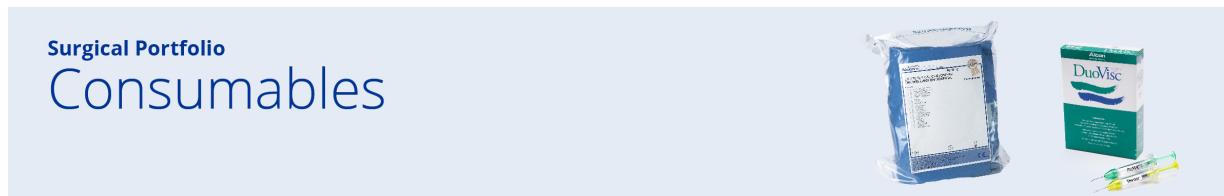
In 2017, we received a European CE Mark for the *Clareon* IOL with the *AutonoMe* delivery system followed by FDA approval in 2020. *AutonoMe* is the first automated, disposable, pre-loaded IOL delivery system that enables precise delivery of the IOL into the capsular bag in patients undergoing cataract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

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

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

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

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



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

Surgical Portfolio

Vitreoretinal Suite



Our vitreoretinal surgical

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

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

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

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

Surgical Portfolio

Refractive Suite



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

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

Vision Care

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

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

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

Vision Care Portfolio

Contact Lenses



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

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

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

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

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

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

Vision Care Portfolio

Ocular Health



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

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

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

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

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

Finally, our ocular health portfolio also includes artificial tear and related dry eye products marketed under the *Tears Naturale* and *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 certain of our ocular health products are regulated as pharmaceuticals and require a prescription.

Principal Markets

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

Research and Development

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

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

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

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

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

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

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

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

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

Marketing and Sales

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

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

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

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

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

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

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

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

Manufacturing, Quality and Supplies

Manufacturing

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

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

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

Quality

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

Supplies

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

Human Capital Management

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

Intellectual Property

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

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

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

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

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

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

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

Competition

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

Surgical

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

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

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

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

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

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

Vision Care

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

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

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

Government Regulation

Overview

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

Product Approval and Monitoring

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

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

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

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

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

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

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

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

Price Controls

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

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

Regulations Governing Reimbursement

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

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

Health Care Fraud and Abuse; Anti-Bribery

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

Data Privacy and Cybersecurity

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

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

Trade Regulation

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

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

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

4.C. ORGANIZATIONAL STRUCTURE

Organizational Structure

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

Significant Subsidiaries

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

4.D. PROPERTY, PLANTS AND EQUIPMENT

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

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

Major Facilities

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

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

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

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

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

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

Environmental Matters

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

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

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

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

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5.A. OPERATING RESULTS

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

Overview

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

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

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

Basis of preparation

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

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

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

Items you should consider when evaluating our Consolidated Financial Statements

War on Ukraine

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

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

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

COVID-19

Outbreaks of COVID-19 cases continued to occur in 2022 and localized responses remain unpredictable, notably in China. The COVID-19 pandemic may continue to have an adverse effect on our net sales, operating results and cash flow. The extent to which the COVID-19 pandemic and the related economic impact may continue to affect our financial condition or results of operations is uncertain.

Net sales trends

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

Supply chain continuity and inflation

We have experienced inflationary pressures in electronic components, freight, labor, resins and plastics, which we continue to manage but have impacted operating margin in 2022 despite price increases and productivity initiatives. We have also encountered supply chain challenges in certain components including microchips, resins and plastics, metals and filters. Our procurement teams are staying in close contact with our critical suppliers to maintain access to raw materials and other components. When necessary, we are also utilizing alternative methods of product distribution and supplier sourcing, as well as alternative shipping options where possible. We expect these inflationary pressures and supply chain challenges to continue into 2023.

Estimation uncertainty

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

Segment description

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

In Surgical, Alcon researches, develops, manufactures, distributes and sells ophthalmic products for cataract surgery, vitreoretinal surgery, refractive laser surgery and glaucoma surgery. The surgical portfolio also includes implantables, consumables and surgical equipment required for these procedures and supports the end-to-end procedure needs of the ophthalmic surgeon. Alcon also provides services, training, education and technical support for the Surgical business. In 2022, the Surgical segment accounted for \$5.0 billion, or 58%, of Alcon net sales to third parties, and contributed \$1.3 billion, or 69%, of Alcon operating income (excluding unallocated income and expenses).

In Vision Care, Alcon researches, develops, manufactures, distributes and sells daily disposable, reusable, and color-enhancing contact lenses and a comprehensive portfolio of ocular health products, including products for dry eye, glaucoma, contact lens care and ocular allergies, as well as ocular vitamins and redness relievers. Alcon also provides services, training, education and technical support for the Vision Care business. In 2022, the Vision Care segment accounted for \$3.6 billion, or 42%, of Alcon net sales to third parties, and contributed \$600 million, or 31%, of Alcon operating income (excluding unallocated income and expenses).

Opportunity and risk summary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Components of results of operations

Net sales to third parties

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

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

Other revenues

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

Inventories

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

Research & development

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

Critical accounting policies and estimates

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

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

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

Impairment of goodwill and intangible assets

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

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

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

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

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

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

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

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

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

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

Business combinations

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

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

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

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

Contingent consideration

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

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

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

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

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

Taxes

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

Research & development

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

Factors affecting comparability of period to period results of operations

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

Results of operations

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

Key figures

(\$ millions unless indicated otherwise)	2022 compared to 2021				2021 compared to 2020		
	2022	2021	Change %		2020	Change %	
			\$	cc ⁽¹⁾		\$	cc ⁽¹⁾
Net sales to third parties	8,654	8,222	5	11	6,763	22	20
Gross profit	4,748	4,652	2	10	2,940	58	56
Operating income/(loss)	672	580	16	59	(482)	nm	nm
<i>Operating margin (%)</i>	<i>7.8</i>	<i>7.1</i>			<i>(7.1)</i>		
Net income/(loss)	335	376	(11)	37	(531)	nm	nm
Basic earnings/(loss) per share (\$)	0.68	0.77	(12)	36	(1.09)	nm	nm
Diluted earnings/(loss) per share (\$)	0.68	0.76	(11)	37	(1.09)	nm	nm
Core results⁽¹⁾							
Core operating income	1,571	1,443	9	26	789	83	78
<i>Core operating margin (%)</i>	<i>18.2</i>	<i>17.6</i>			<i>11.7</i>		
Core net income	1,108	1,063	4	23	512	108	102
Core basic earnings per share (\$)	2.25	2.17	4	23	1.05	107	101
Core diluted earnings per share (\$)	2.24	2.15	4	23	1.04	107	101

nm = not meaningful

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

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

Net sales by segment

(\$ millions unless indicated otherwise)	2022 compared to 2021			2021 compared to 2020		
	2022	2021	Change %	2020	\$	Change %
			cc ⁽¹⁾		cc ⁽¹⁾	
Surgical						
Implantables	1,725	1,522	13	20	1,126	35
Consumables	2,499	2,388	5	10	1,952	22
Equipment/other	821	793	4	10	632	25
Total Surgical	5,045	4,703	7	13	3,710	27
Vision Care						
Contact lenses	2,192	2,139	2	9	1,838	16
Ocular health	1,417	1,380	3	7	1,215	14
Total Vision Care	3,609	3,519	3	8	3,053	15
Net sales to third parties	8,654	8,222	5	11	6,763	22
(1) Constant currencies is a non-IFRS measure. Refer to "Item 5.A. Operating Results—Supplementary Information—Definitions and Reconciliations of Non-IFRS Measures" section for additional information.						

Surgical

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

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

Vision Care

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

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

Operating income/(loss)

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

nm = not meaningful

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

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

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

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

Segment contribution

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

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

nm = not meaningful

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

Surgical

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

Vision Care

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

Not allocated to segments

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

Non-operating income & expense

(\$ millions unless indicated otherwise)	2022 compared to 2021				2021 compared to 2020			
			Change %				Change %	
	2022	2021	\$	cc ⁽¹⁾	2020	\$	cc ⁽¹⁾	
Operating income/(loss)	672	580	16	59	(482)	nm	nm	
Interest expense	(134)	(120)	(12)	(13)	(124)	3	3	
Other financial income & expense	(75)	(42)	(79)	(80)	(29)	(45)	(41)	
Income/(loss) before taxes	463	418	11	70	(635)	nm	nm	
Taxes	(128)	(42)	nm	nm	104	nm	nm	
Net income/(loss)	335	376	(11)	37	(531)	nm	nm	
Basic earnings/(loss) per share (\$)	0.68	0.77	(12)	36	(1.09)	nm	nm	
Diluted earnings/(loss) per share (\$)	0.68	0.76	(11)	37	(1.09)	nm	nm	

Core results⁽¹⁾

Core taxes	(254)	(218)	(17)	(38)	(124)	(76)	(72)
Core net income	1,108	1,063	4	23	512	108	102
Core basic earnings per share (\$)	2.25	2.17	4	23	1.05	107	101
Core diluted earnings per share (\$)	2.24	2.15	4	23	1.04	107	101

nm = not meaningful

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

Interest expense

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

Other financial income & expense

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

Taxes

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

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

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

Net income and earnings per share

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

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

Effects of currency fluctuations

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

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

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

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

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

Foreign exchange rates for foreign currency translation

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

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

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

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

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

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

Currency impact on key figures

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

	2022 compared to 2021			2021 compared to 2020		
	Change %		Percentage point currency impact	Change %		Percentage point currency impact
	\$	cc ⁽¹⁾		\$	cc ⁽¹⁾	
Net sales to third parties	5	11	(6)	22	20	2
Gross profit	2	10	(8)	58	56	2
Operating income/(loss)	16	59	(43)	nm	nm	nm
Net income/(loss)	(11)	37	(48)	nm	nm	nm
Basic earnings/(loss) per share (\$)	(12)	36	(48)	nm	nm	nm
Diluted earnings/(loss) per share (\$)	(11)	37	(48)	nm	nm	nm
Core results⁽¹⁾						
Core operating income	9	26	(17)	83	78	5
Core net income	4	23	(19)	108	102	6
Core basic earnings per share (\$)	4	23	(19)	107	101	6
Core diluted earnings per share (\$)	4	23	(19)	107	101	6

nm = not meaningful

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

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

SUPPLEMENTARY INFORMATION - DEFINITIONS AND RECONCILIATIONS OF NON-IFRS MEASURES

Non-IFRS measures as defined by the Company

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

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

Core results

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

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

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

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

Constant currencies

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

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

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

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

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

EBITDA

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

Free cash flow

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

Net (debt)/liquidity

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

Growth rate and margin calculations

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

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

Reconciliation of IFRS results to core results

2022

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

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

2021

(\$ millions except earnings per share)	IFRS results	Amortization of certain intangible assets ⁽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

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

Reconciliation of IFRS results to core results (continued)

2020

(\$ millions except (loss)/earnings per share)	IFRS results	Amortization of certain intangible assets ⁽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

Explanatory footnotes to IFRS to Core reconciliation tables

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

(2) Includes impairment charges related to intangible assets.

(3) Separation costs, primarily related to IT and third party consulting fees, following completion of the Spin-off.

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

(5) Includes impacts from pension and other post-employment benefit plan amendments.

(6) For 2022, includes legal settlement costs.

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

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

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

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

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

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

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

(9) Core basic earnings per share is calculated using the weighted-average shares of common stock outstanding during the period. Core diluted earnings per share also contemplate dilutive shares associated with unvested equity-based awards as described in Note 7 to the Consolidated Financial Statements.

5.B. LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

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

Cash flow and net (debt)/liquidity

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

Net cash flows from operating activities

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

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

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

Net cash flows used in investing activities

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

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

Net cash flows used in financing activities

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

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

Free cash flow (non-IFRS measure)

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

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

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

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

Balance sheet

Assets

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

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

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

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

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

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

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

Liabilities

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

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

Equity

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

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

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

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

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

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

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

EBITDA (non-IFRS measure)

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

Liquidity and financial debt by currency

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

	Liquidity (%) ⁽¹⁾		Financial debts (%) ⁽²⁾	
	2022	2021	2022	2021
USD	68	91	87	87
EUR	22	4	11	10
CHF	1	—	—	—
JPY	—	—	2	3
Other	9	5	—	—
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 \$702 million, \$842 million and \$673 million for the years 2022, 2021 and 2020, respectively. As described in the "Risk Factors" section and elsewhere in this Annual Report, we are subject to varying degrees of governmental regulation in the countries in which we operate, which makes the process of developing new products and obtaining necessary regulatory marketing authorization lengthy, expensive and uncertain. See "Item 3. Key Information—3.D. Risk Factors". For further information on Alcon research and development policies and additional product information, as well as a description of the regulatory approval process, see "Item 4. Information on the Company—4.B. Business Overview".

5.D. TREND INFORMATION

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

5.E. CRITICAL ACCOUNTING ESTIMATES

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

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A. DIRECTORS AND SENIOR MANAGEMENT

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

6.B. COMPENSATION

Introduction

Dear Shareholder

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

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

2022 in Review

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

Business Overview

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

- Delivered net sales of \$8.7 billion in 2022, representing growth of +5%, or +11% on a constant currency¹ basis compared to 2021, showcasing our strong fundamentals.
- Gained market share and delivered growth compared to 2021 in both Surgical and Vision Care segments; the Surgical segment grew +7%, or +13% on a constant currency basis and the Vision Care segment grew +3%, or +8% on a constant currency basis.
- Completed the acquisition of Aerie Pharmaceuticals, Inc., complementing Alcon's expansion into the ophthalmic pharmaceutical space, with its growing portfolio of commercial products, including brands Rocklatan and Rhopressa, and development pipeline.
- Committed to long-term ESG goals, published two social goals focused on vision improvement and two climate focused environmental goals in Alcon's 2021 Corporate Responsibility Report which aligned with our business and strategy.

2022 ECA Compensation

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

2022 Incentive Payouts

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

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

2022 Annual General Meeting Vote and Engagement with Shareholders

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

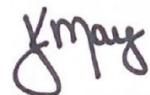
Our engagement team included our Board Chair, our Chief Human Resources Officer, General Counsel, Head of Investor Relations and Head of Sustainability. We heard directly from investors on a range of important topics tied to the executive compensation programs as well as broader ESG matters. Our shareholders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

2023 Annual General Meeting

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

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

Sincerely,



Karen May
Chair of the Compensation Committee

Compensation at a Glance

2022 ECA Compensation-Summary

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

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

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

Exhibit 1

	Annual Base Salary	Short-Term Incentive	Long-Term Incentive	Benefits
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 and an individual performance factor	Four equally weighted performance measures including financial, relative 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 2022

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

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

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

Exhibit 2

Compensation	Fixed compensation		Variable compensation		Additional comp.	Totals in USD	Totals in CHF ³
	Annual base salary	Pension and insurance benefits	2022 STI award	2022-2024 LTI awards ¹			
From January 1, 2022 to December 31, 2022							
David J. Endicott, CEO	1,240,379	168,035	2,143,375	5,568,577	1,272,305	10,392,671	9,924,481
Other ECA members	4,218,777	775,456	5,213,820	7,814,585	4,619,890	22,642,528	21,622,482
Totals in USD ²	5,459,156	943,491	7,357,195	13,383,162	5,892,195	33,035,199	
<i>Totals in CHF³</i>	<i>5,213,221</i>	<i>900,987</i>	<i>7,025,753</i>	<i>12,780,251</i>	<i>5,626,752</i>		<i>31,546,963</i>

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 : 1.047175 USD.

2022 Board of Directors Compensation-Summary

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

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

Exhibit 3

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

¹ Board fees are paid in Swiss Francs (CHF).

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

Alcon Board Fee Payments in 2022

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

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

Exhibit 4

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

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

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 : 1.047175 USD. All amounts are before the social security contributions and income tax deductions due by the Board member.

Corporate Governance

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

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

Adherence to Strong Governance Practices

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

Exhibit 5

What we do

- Provide a majority of executive pay in variable, rather than fixed compensation in order to ensure pay-for- performance
- Tie 100% of STI and LTI 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 2022

Compensation Governance

Authority for ECA Compensation Decisions

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

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

Exhibit 6

Authority levels in ECA compensation	CEO	CC	Board	AGM
ECA compensation policy and principles	R	A		
CEO compensation and benefits	R	A		
Other ECA member compensation and benefits	R	A		
CEO performance targets and assessment of achievements		R	A	
Other ECA members' performance targets and assessment of achievements	R	A		
Share ownership requirements for the CEO and other members of the ECA	R	A		
Maximum aggregate ECA compensation	R	P	A 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 2022, Alcon's ECA compensation framework included the strategic objectives of:

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

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

Pay-for-Performance

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

Peer Group

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

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

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

Exhibit 7

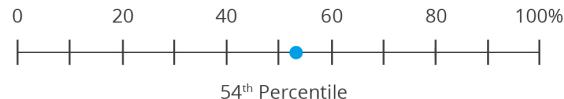
Global Peer Group

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

Revenue*



Market Capitalization*



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

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

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

Forfeiture and Claw-back Rules

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

Share Ownership Requirements for ECA Members

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

Exhibit 8

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

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

Compensation Elements

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

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

Exhibit 9

Annual Base Salary

Annual Base Salary	Annual base salary (ABS) is set and reviewed considering: <ul style="list-style-type: none">• 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 the market• Business performance and the external environment
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Exhibit 10

Variable Compensation

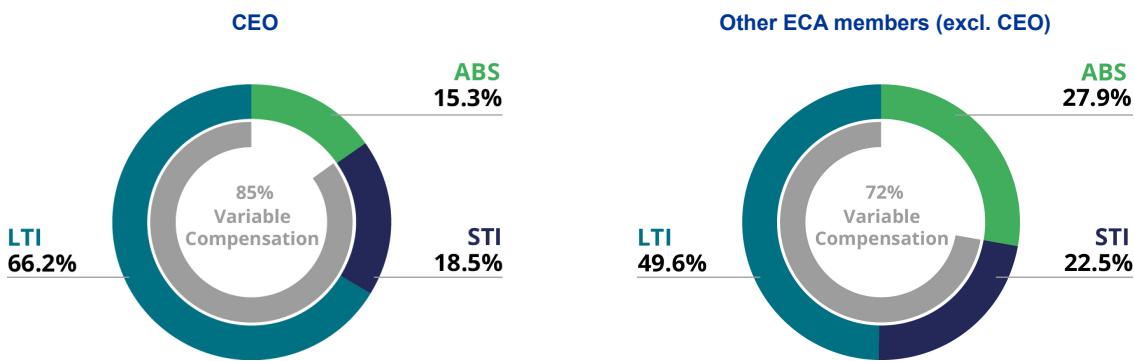
Short-Term Incentive	<p>The STI is designed and delivers awards based on:</p> <p>Target value</p> <ul style="list-style-type: none">• Annual base salary (ABS)¹ x STI target (% of ABS) = STI target value in USD/CHF <p>Performance measurement</p> <ul style="list-style-type: none">• Measurement of financial 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 PSU performance 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

¹ ABS earned during the financial year.

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

Exhibit 11

Mix of Fixed and Variable Compensation at Target



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

CEO Compensation

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

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

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

Short-Term Incentive

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

Exhibit 12

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

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

Exhibit 13

Metric	Financial Metrics 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 (including ESG 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	ABS²	X	STI Target	X	BPF	X	IPF	=	STI Payout
	BPF maximum 150% x IPF maximum 150% = maximum 225% (capped at 200%)								
Payout range	0 - 200%								

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

² ABS earned during the financial year.

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

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

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

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

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

Long-Term Incentive

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

Exhibit 14

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

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 15

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

¹ CAGR means Compound Annual Growth Rate.

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

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

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

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

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

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

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

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

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

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

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

Benefits

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

Exhibit 16

Retirement savings and insurance contributions	Retirement and insurance benefits plan contributions provided in line with local market practice (most governed by legal provisions) - Company-paid: <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
Other benefits	<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 and other transportation expenses• 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

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

Compensation Payments to the ECA Members

ECA Compensation Payments FY 2022

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

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

Exhibit 17

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

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

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

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

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

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

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

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

ECA Compensation Payments FY 2021

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

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

Exhibit 18

Compensation	Fixed compensation		Variable compensation		Additional compensation	Totals in USD	Totals in CHF
	Annual base salary ¹	Pension and insurance ²	2021 short-term incentive ³	2021-2023 long-term incentive ^{4,5}		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 USD⁶	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 was 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 CEO and six active ECA members on February 17, 2021. The value of the PSUs is based on the closing price of the underlying Alcon share on the date of grant of USD 72.05. Our President of Global Business and Innovation departed Alcon on August 31, 2021 and all of his unvested LTI equity awards were forfeited upon his departure. No extraordinary payments were made upon his departure.

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.

Outcome of Performance Awards 2022

2022 Short-Term Incentive

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

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

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

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

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

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

Exhibit 19

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

⁽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 and excludes the impact of acquisitions, divestitures and certain non-recurring items in accordance with the short-term incentive plan.

⁽³⁾ Rounded to the nearest whole %.

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

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

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

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

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

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

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

2020-2022 Long-Term Incentive

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

Sales CAGR Metric

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

Core EPS CAGR Metric

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

Share-of-Peer Metric

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

Innovation Metric

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

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

Exhibit 20

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

(1) Rounded to the nearest whole %.

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

(3) Core EPS is a non-IFRS measure.

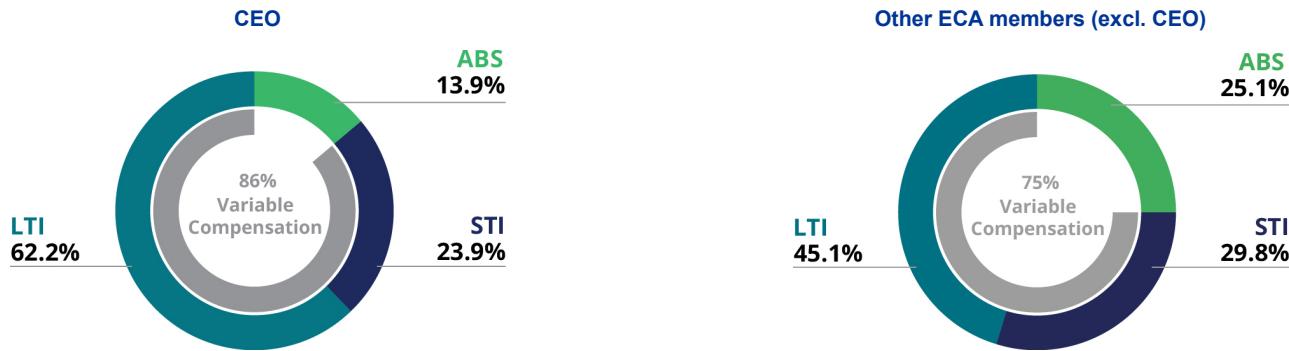
Based on our results, the performance factor for the 2020-2022 PSU award was 170%. During the performance period, Alcon's market capitalization increased just under \$6 billion.

Fixed and Variable Compensation

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

Exhibit 21

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



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

Equity Instruments Granted to the ECA Members

Equity Instruments Granted in FY 2022

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

Exhibit 22

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

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

Equity Instruments Granted in FY 2021

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

Exhibit 23

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

¹ The values of the awards in PSUs 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.

Share Ownership of the ECA Members

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

Exhibit 24

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

Additional Disclosures

Employment Agreements

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

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

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

Payments to Current or Former Members of the ECA

During 2022, no payments (or waivers of claims) other than those set out in Exhibit 17 (including the related notes) under section "ECA Compensation Payments FY 2022" were made to current or former members of the ECA or to "persons closely linked" to them.

Loans to Members of the ECA

Alcon's Articles of Incorporation and corporate policies do not permit loans to current or former members of the ECA or to "persons closely linked" to them. As a result, no loans were granted in 2022, and none were outstanding as of December 31, 2022.

Persons Closely Linked

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

Compensation Expense 2022

The total expense for the year 2022 for compensation awarded to ECA members, using International Financial Reporting Standards (IFRS) measurement rules, is presented in Note 24 to the Company's audited Consolidated Financial Statements. The numbers for compensation expense in Note 24 may differ from the numbers reported in this 2022 Compensation Report due to the accounting and disclosure standards applied.

Alcon Share-Based Units Awarded to Alcon Associates in 2022

In the financial year 2022, the total of approximately 2.0 million restricted shares, RSUs and target PSUs (all unvested) were granted, and approximately 2.4 million Alcon shares vested and were delivered to Alcon associates under the various equity-based incentive or participation plans. Current unvested equity instruments (restricted shares, RSUs and target PSUs) represent approximately 1% of issued shares. Alcon delivers treasury shares to associates to fulfill these obligations.

Board of Directors Compensation 2022

Compensation Framework

The Board compensation was set at a level that allowed for the attraction and appointment of high-caliber talent for Board roles with the relevant background and skills, including global experience in the medical devices and ophthalmology industries. An additional member was added to the Board when Dr. Raquel Bono was elected at the 2022 AGM with a 2022-2023 AGM term. Her background and skill set complement the current board skill set and her contributions during the year have made a significant impact. The Board is comprised of both Swiss and international members.

Non-executive Board members are awarded a base fee. Further, they are entitled to additional fees for their roles of Chair and/or member on the Board committees. The Vice Chair also receives an additional fee. The Board Chair does not receive additional fees for work in committees. David J. Endicott, the CEO of Alcon, does not receive any fees for his Board membership. Mr. Endicott is compensated as a member of the ECA and his compensation is disclosed in section "ECA Compensation 2022."

The following table sets out the compensation for the non-executive members of the Board from the 2022 AGM to the 2023 AGM:

Exhibit 25

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

¹ Converted into USD at a rate of CHF 1.0 = USD 1.047175.

In 2022, the following framework applied to the compensation of non-executive Board members:

- Fifty percent of the total fees is paid in shares on a mandatory basis in two installments: September 2022 and March 2023;
- Fifty percent of the total fees is paid in cash in four installments: June, September and December 2022 and March 2023;
- Each Board member may elect to receive up to one hundred percent of their fees in shares;
- The fees are paid in Swiss Francs;
- The shares delivered are unrestricted (free shares) listed on the SIX Swiss Exchange;
- The members of the Board are subject to share ownership requirements (as noted in Exhibit 26);
- Board members bear the full cost of their own social security contributions; and
- Board members do not receive variable compensation, in line with their focus on corporate strategy, supervision and governance. Their payment in shares is in unrestricted shares. They do not receive share options or other share-based instruments.

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

Share Ownership Requirements for Members of the Board

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

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

Exhibit 26

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

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

Compensation Governance

Authority for Board Compensation Decisions

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

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

Exhibit 27

Authority levels in Board compensation	CC	Board	AGM
Board compensation policy and principles	P	A	
Board Chair compensation	P	A	
Other Board member compensation	P	A	
Share ownership requirements for Board members	P	A	
Maximum aggregate compensation of the Board members	R	P	A 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 2022 AGM, the CC has been comprised of the following four members: Karen J. May (Chair), Thomas H. Glanzmann, Scott Maw and Ines Pöschel. At each AGM, the shareholders elect the members of the CC individually for a term of office of one year. The Board then nominates the CC Chair. Our Articles of Incorporation permit re-election. Alcon's 2022 Corporate Governance Report contained in Item 6.B. of the Alcon 2022 Annual Report, provides details regarding the members of the Board and the independence criteria for Board members. The Board Chair, the CEO and the Secretary of the Board attend the CC meetings by invitation. None is present when decisions relating to their respective interests are taken.

The Compensation Committee's External Advisors

During 2022, the CC retained Willis Towers Watson ("WTW") as its external compensation advisor. For the same period, the CC also retained HCM International (Switzerland) ("HCM") for advice with regard to Swiss compensation matters. The CC appointed each of them in 2019 following a thorough process of evaluating proposals from various consulting firms. During 2022, WTW provided additional services to Alcon related to, among other things, consulting services related to compensation, pension and benefit programs. During the same period, HCM did not provide additional services to Alcon.

The CC conducted a review of the support received from the selected external advisors and is satisfied with the result of the work completed in 2022. At least annually, the CC will evaluate the quality of the consulting services received and the need to use specific advisors.

Compensation of the Members of the Board of Directors

Board Compensation FY 2022

The following Exhibit 28 sets out the total compensation received by non-executive members of the Board during 2022.

The disclosed compensation represents (i) the fees paid to the members of the Board in March 2022, which was the last installment of the fees for their term of office up to the 2022 AGM, and (ii) the fees paid up to December 31, 2022 for their term of office from the 2022 AGM to the 2023 AGM.

The installment of the fees paid in March 2022 completed the delivery of all fees due for the term of office from 2021 AGM to the 2022 AGM. The total of fees paid for that term remained within the approved budget.

The fees paid between the 2022 AGM and December 31, 2022 to the members of the Board of Directors are only a part of the total fees they will receive for the service on the Board during the term of office from the 2022 AGM to the 2023 AGM (three of four installments). In accordance with our normal payout schedule, a further payment of fees in cash and shares will be made in March 2023. Total 2022 Board fees are higher than in 2021 due to the addition of a new board member at the 2022 AGM. The board fee structure did not change from 2021 to 2022.

The CEO of Alcon, David J. Endicott, is not included in this Exhibit 28 as he is not compensated for his Board membership. Mr. Endicott is compensated as a member of the ECA and his compensation is disclosed in section "ECA Compensation 2022."

Exhibit 28

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 2022
F. Michael Ball Board Chair, member GNC	—	248,801	746,015	10,738	—	994,816
Lynn D. Bleil Member ARC and IC	136,133	34,074	102,059	1,469	—	272,266
Raquel C. Bono Member IC	44,178	22,156	66,199	985	—	132,533
Arthur B. Cummings Member IC	117,807	34,648	83,159	1,197	21,925	257,539
Thomas H. Glanzmann Chair IC, member GNC, CC	—	19,018	295,135	4,248	4,775	318,928
D. Keith Grossman Vice Chair, Chair GNC, member IC	—	82,532	247,328	3,560	—	329,860
Scott H. Maw Chair ARC, member CC	—	74,049	221,778	3,197	—	295,827
Karen J. May Chair CC, member ARC	—	74,669	223,776	3,221	—	298,445
Ines Pöschel Member GNC, CC	124,352	6,949	137,038	1,966	4,775	273,114
Dieter P. Spälti Member ARC	92,282	10,884	173,681	2,472	4,775	281,622
Total fees paid in 2022 in USD⁶	514,752	607,780	2,296,168	33,053	36,250	3,454,950
Total fees paid in 2022 in CHF⁷	491,562	580,400	2,192,726	33,053	34,617	3,299,305

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 4, 2022 at the closing price of CHF 68.66 per share on the date of grant and on September 1, 2022, at the closing price of CHF 64.18. The shares granted are listed on the SIX Swiss Exchange.

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 2022 (2021 AGM - 2022 AGM), and (ii) the first installment of the fee in shares (term 2022 AGM - 2023 AGM). The second and final installment in shares for the services from the 2022 AGM to the 2023 AGM will be delivered in March 2023.

⁵ Includes (i) an amount of USD 19,101 for mandatory employer contributions paid by Alcon to governmental social security systems, which provides the relevant members of the Board with a right to the maximum future insured government pension benefit (this amount is a part of total mandatory employer contributions of USD 94,947 to the governmental social security systems) and (ii) USD 17,150 paid to Dr. Cummings (or his related entities) for consulting services, including assistance with clinical trials that Dr. Cummings, as an ophthalmologist, provided to Alcon (these services were unrelated to Dr. Cummings' board service).

⁶ All amounts include the payments made and the shares delivered in March 2022 as installment of the fee for the term of office 2021 AGM - 2022 AGM.

⁷ The payments in cash were made in Swiss Francs (CHF). For consistency they are reported in USD as all compensation in this 2022 Compensation Report. The amounts in CHF were converted to USD at the exchange rate of 1.0 CHF : 1.047175 USD. All amounts are before deductions of social security contributions and income tax paid by the Board members.

Board Compensation FY 2021

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

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

The installment of the fees paid in March 2021 completed the delivery of all fees due for the term of office from 2021 AGM to the 2022 AGM. The total of fees paid for that term remained within the approved budget.

The fees paid between the 2021 AGM and December 31, 2021 to the members of the Board of Directors are only a part of the total fees they received for the service on the Board during the term of office from the 2021 AGM to the 2022 AGM (three of four installments). In accordance with our normal payout schedule, a further payment of fees in cash and shares was made in March 2022.

The CEO of Alcon, David J. Endicott, is not included in this Exhibit as he is not compensated for his Board membership. Dr. Bono is also not included in this Exhibit as she was not an Alcon Board member during 2021.

Exhibit 29

Board members, functions 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 USD⁶	325,374	635,811	2,481,228	32,490	52,057	3,494,470
Total fees paid in 2021 in CHF⁷	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 were 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.

Share Ownership of the Members of the Board of Directors

The number of Alcon shares held by members of the Board and “persons closely linked” to them as of December 31, 2022 are set out in the Exhibit below. As of this same date, no Board member, either individually or together with “persons closely linked”, owned 1% or more of the outstanding shares of Alcon. The CEO of Alcon and Board member, David J. Endicott, is not included in this Exhibit as his share ownership is disclosed in Exhibit 24.

The number of shares held as of December 31, 2021 is shown for comparison.

Exhibit 30

Board member	2022 Total shares	2021 Total shares
F. Michael Ball	44,585	33,847
D. Keith Grossman	11,558	7,998
Lynn D. Bleil	8,198	6,729
Raquel C. Bono	1,097	NA
Arthur B. Cummings	4,626	3,429
Thomas H. Glanzmann	16,083	11,835
Scott H. Maw	11,764	8,567
Karen J. May	22,265	19,044
Ines Pöschel	8,712	6,746
Dieter P. Spälti	18,813	16,341
Total	147,701	114,536

Additional Disclosures

Loans to Board Members

Alcon's Articles of Incorporation and corporate policies do not permit loans to current or former members of the Board or to persons closely linked to them. No loans were granted in 2022, and none were outstanding as of December 31, 2022.

Other Payments to Current and Former Board Members

No payments (or waivers of claims) other than those set out in Exhibit 28 (including the related notes) under section "Board compensation FY 2022" were made to current or former Board members or to persons closely linked to them.

Persons Closely Linked

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

Outlook for 2023

Compensation Philosophy and Principles

The Company will continue to adopt a compensation philosophy which:

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

Exhibit 31

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 strong pay-for-performance framework to align executive compensation with shareholder interests. An anchor point of our philosophy is to offer market competitive compensation closer to the range of the median of our peer group. To achieve this goal, the CC continuously reviews and benchmarks Alcon's compensation against a global peer group (42% European, 58% North American, see "Peer Group" section for details).

The most recent benchmarking conducted in 2022 has shown that the target compensation level for the CEO is significantly below the range that the CC considers acceptable. The Board and CC will continue to monitor the CEO's target compensation against the peer group and make adjustments, as needed, to better align CEO's target compensation closer to the range of the peer group median.

Board Compensation

In 2022, the Board conducted a benchmarking study of Alcon's Board pay against other Swiss Market Index ("SMI") companies and determined that our Board pay is below the median level of SMI companies. The Board intends to propose compensation changes for the Board Chair and overall Board Pay at the 2023 AGM for the 2023-2024 AGM term. Our Board's pay has not changed in Alcon's history as a public Company.

Overall, the Board compensation framework will remain unchanged for the upcoming term of office from the 2023 AGM to the 2024 AGM (i.e. the same mix of fees payable in cash and shares as in 2022 and the option to elect a higher percentage in shares in lieu of cash.)

Shareholder Vote at the 2023 AGM

In accordance with Article 29 of the Articles of Incorporation (<http://investor.alcon.com/governance//default.aspx>), the Board will ask shareholders at the 2023 AGM meeting to cast a binding vote on:

- The aggregate amount of compensation payable to non-executive members of the Board for their term of office from the 2023 AGM to the 2024 AGM; and
- The aggregate amount of compensation payable to ECA members in the financial year 2024.

In addition, the Board will ask shareholders to cast an advisory vote on the 2022 Compensation Report.

The procedures of voting on the compensation of ECA members and the Board are defined in our Articles of Incorporation. As of December 31, 2022, our Articles allow for an additional amount of compensation to be used when promoting or adding new members to the ECA.

The Exhibit below depicts the proposal for the 2023 AGM and the respective period of the compensation affected by the vote.

Exhibit 32

Compensation Proposals for Shareholder Approval at 2023 AGM

1. Board compensation for the upcoming period

- **Binding vote** on total aggregate Board compensation (budget) for the 2023 AGM – 2024 AGM period

2. ECA compensation for financial year 2024

- **Binding vote** on total aggregate ECA compensation (budget) for Financial Year 2024

3. 2022 Compensation Report

- **Advisory vote** on the 2022 Compensation Report

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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, 2022, the market capitalization of the Company was \$33.711 billion (CHF 31.070 billion).

Alcon is the global leader in eye care with \$8.7 billion in net sales during the year ended December 31, 2022. We research, develop, manufacture, distribute and sell a full suite of eye care products within two key businesses: Surgical and Vision Care. Our Surgical business is focused on ophthalmic products for cataract surgery, vitreoretinal surgery, refractive laser surgery and glaucoma surgery. Our Vision Care business is comprised of various contact lenses and a comprehensive portfolio of ocular health products, including products for dry eye, glaucoma, contact lens care and ocular allergies, as well as ocular vitamins and redness relievers. Further information is available under "Item 4. Information on the Company" and Note 4 to the Consolidated Financial Statements.

Listed and Non-listed Companies Belonging to the Alcon Group

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

The following table lists the most significant subsidiaries of the Company, including those entities with total assets or net sales to third parties in excess of 5% of the Company's consolidated total assets or net sales to third parties, as applicable, at December 31, 2022. The referenced share capital may not reflect the taxable share capital and does not include any paid in surplus. Further information regarding the Company's subsidiaries is disclosed in Note 27 of the Consolidated Financial Statements. The combination of the Company's subsidiaries disclosed in the table below and in Note 27 of the Consolidated Financial Statements does not cover all subsidiaries of the Company.

Country of Organization/ Entity Name	Equity Interest	Principal Place of Business	Share Capital
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, 2022:

Holder	Number of Shares	Percentage
Chase Nominee Ltd., London (UK)	38,262,800	7.66%
Cede & Co (DTC nominee), New York, NY (USA)	104,529,837	20.92%
Nortrust Nominees Limited, London (UK)	15,595,595	3.12%

In addition, according solely to disclosure of shareholdings notifications filed with (i) Alcon and the SIX Swiss Exchange ("SIX Threshold Notifications") pursuant to the obligations set forth in the Swiss Federal Act on Financial Market Infrastructure and Market Conduct in Securities and Derivatives Trading ("FMIA") and the rules and regulations promulgated thereunder or (ii) the SEC, there are three shareholders that held shares representing at least 3% of the Company's total share capital as of December 31, 2022, but were not registered with the Alcon share register. These shareholders are identified in the table below.

The information required to be included in the SIX Threshold Notifications regarding this shareholder varies from the information required to be included in beneficial ownership statements filed with the SEC ("SEC Notification").

Interested persons can access the relevant SIX Threshold Notifications online at the SIX Swiss Exchange: <https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/>

The below table shows the information available to the Company, based on both notification regimes, with respect to shareholders reported to have significant positions in Alcon's share capital as of December 31, 2022:

Holder	Number of shares and voting rights as per SIX Threshold Notification	Number of shares beneficially owned as per SEC Notification ¹			Percentage as per SEC Notification ²
		Percentage as per SIX Threshold Notification ¹	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 %	32,209,227 ⁴	6.6% ⁴	
T. Rowe Price Associates, Inc. 100 East Pratt Street Baltimore, MD 21202, USA	15,152,2885	3.03%	N/A	N/A	
WCM Investment Management, LLC 281 Brooks St Laguna Beach, CA 92651 USA	N/A	N/A	18,489,695 ⁶	3.8% ⁶	

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, 2022 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, 2022. Information in this column is current as of February 15, 2023.

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 September 8, 2022.

⁵ Based solely on a SIX Threshold Notification dated January 27, 2022.

⁶ Based solely on a Schedule 13G filed with the SEC on February 10, 2023.

Cross-Shareholdings

Neither the Company nor any of its consolidated entities has any shareholdings exceeding 5% of the holdings of capital or voting rights in any entity that also has shareholdings exceeding 5% of the holdings of the capital or voting rights in the Company or any of its consolidated entities.

Capital Structure

Share Capital

As of December 31, 2022, the share capital of Alcon Inc. was CHF 19,988,000, fully paid-in and divided into 499,700,000 registered shares, each with a nominal value of CHF 0.04.

Authorized and Conditional Share Capital

On January 29, 2019, the Company's annual general meeting approved the creation of an authorized share capital. According to this shareholder resolution, the Board was authorized, at any time until January 29, 2021, to increase the Company's share capital by a maximum of CHF 977,400 through the issue of up to 24,435,000 fully paid up new shares of CHF 0.04 nominal value each for the purpose of any share-based incentive or other participation plans, schemes or arrangements for directors, associates or advisors of the Company or its consolidated subsidiaries ("Employees Participation Plans").

The Board resolved on November 19, 2019 to increase the share capital by CHF 120,000 through the issuance of 3,000,000 new registered shares under the authorized share capital in order to comply with Alcon's obligations under the relevant Employees Participation Plans.

On November 10, 2020, the Board resolved to further increase the share capital by CHF 320,000 through the issuance of 8,000,000 new registered shares under the remaining authority available under the authorized share capital, i.e. 21,435,000 shares, in order comply with Alcon's obligations under the relevant Employees Participation Plans.

The remaining authority to issue new registered shares under the authorized share capital expired on January 29, 2021. As of December 31, 2022, the Company did not have any authorized share capital available.

The Company did not have any conditional share capital available on December 31, 2022.

Changes in Capital

The Company was formed on September 21, 2018 with a share capital of CHF 100,000 divided into 2,500,000 registered shares with a nominal value of CHF 0.04 each. In view of the contemplated Spin-off, the Company's share capital was increased on January 29, 2019 to CHF 19,548,000 divided into 488,700,000 registered shares with a par value of CHF 0.04 each. Following the two successive increases through the authorized share capital, as described above under "Authorized and Conditional Share Capital", the share capital of the Company was, as of December 31, 2022, CHF 19,988,000 divided into 499,700,000 registered shares.

Shares, Participation Certificates and Profit-sharing Certificates

The Company has a single class of shares, being registered shares in the form of uncertificated securities (in the sense of the Swiss Code of Obligations). A portion of these uncertificated shares is issued as intermediated securities (*titres intermédiaires*) within the meaning of the Swiss Federal Intermediated Securities Act via the settlement system operated by SIX SIS, with the remaining shares directly held through Computershare Trust Company, N.A. in the US (including shares held through Computershare Trust Company, N.A. via DTC). All Alcon shares have equal voting rights and carry equal entitlements to dividends. No participation certificates (*bons de participations*) or profit-sharing certificates (*bons de jouissance*) have been issued.

Based solely upon shares registered in the Alcon share registry, as of December 31, 2022, approximately 17.74% of the Company's total share capital was held in Switzerland by 77,097 registered shareholders.

Limitations on Transferability and Nominees Registrations

The Articles of Incorporation of the Company do not provide for any limitation on transferability of shares or nominees registration.

Convertible Bonds and Options

As of December 31, 2022, Alcon did not have any convertible bonds, warrants, options or other securities granting rights to Alcon shares.

Board of Directors

Composition

The Board consists of eight to 13 members according to the Articles of Incorporation. As of December 31, 2022, the size of the Board was 11 members and the Board was comprised of the following members (ages listed are as of December 31, 2022):



Age: **67**

Citizenship:
Canada and United States

Year of initial
appointment:
2019

Expiration of current
term of office:
2023

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: **59**

Citizenship:
United States

Year of initial
appointment:
2019

Expiration of current
term of office:
2023

Lynn D. Bleil

An experienced healthcare industry consultant with nearly three decades of experience as a Senior Partner at McKinsey & Company combined with her valuable experience as a director of publicly-held healthcare and life sciences companies, Lynn D. Bleil brings to the Board extensive US and Swiss experience, strategy and leadership. Ms. Bleil has been a member of the boards of directors of Stericycle, Inc. since 2015 (where she chairs the Nominating & Governance Committee), Sonova Holding AG since 2016 and Amicus Therapeutics, Inc. since 2018. She is a former member of the board of directors of DST Systems Inc. and Auspex Pharmaceuticals, Inc. (until their sale to SS&C Technologies Holdings, Inc. and Teva Pharmaceutical Industries, Ltd., respectively). From 1985 through 2013, Ms. Bleil was a Senior Partner at McKinsey & Company.

Ms. Bleil holds a Bachelor of Science in Chemical Engineering from Princeton University and a Master of Business Administration from the Stanford Graduate School of Business, both in the United States.

Key Competencies: Financial, Healthcare Industry and Regulatory/Public Policy



Raquel C. Bono, M.D.¹

A board-certified trauma surgeon and retired Vice Admiral, US Navy Medical Corps, Raquel C. Bono, M.D. was the first female three-star admiral in the medical field in the history of the US Navy, as well as the first Asian-American woman promoted to Vice Admiral. Dr. Bono has been Chief Health Officer at Viking, Inc. since November 2020 and a Principal at RCB Consulting since October 2019. From 2015 until October 2019, Dr. Bono served as the Chief Executive Officer and Director for the Defense Health Agency (DHA) where she led a joint, integrated combat support agency that enables all branches of the US military medical services to provide health care services to combatant commands. Before joining the DHA, Dr. Bono spent 25 years in healthcare leadership roles, including a distinguished career in the US Navy where she was honored with the Defense Distinguished Service Medal, three Defense Superior Service Medals, four Legion of Merit Medals, two Meritorious Service Medals and two Navy and Marine Corps Commendation medals. She has served on the board of directors of Humana, Inc. since 2020.

Age: **65**

Citizenship:
United States

Year of initial
appointment:
2022

Expiration of current
term of office:
2023

Dr. Bono holds a Bachelor of Arts in Psychology from the University of Texas at Austin, a Master of Business Administration from Washington State University and a Doctor of Medicine from Texas Tech University Health Sciences Center.

Key Competencies: Healthcare Industry, Government Relations and Regulatory/Public Policy

¹Dr. Raquel C. Bono was appointed as new member of the Board of Directors of Alcon during the 2022 Annual General Meeting held on April 27, 2022.



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. Ch.B.) 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 (FRCS Ed) in Ophthalmology.

Key Competencies: Healthcare Industry, Marketing and Technology

Age: **60**

Citizenship:
Ireland and South Africa

Year of initial
appointment:
2019

Expiration of current
term of office:
2023



David J. Endicott

A lifelong healthcare executive with leadership experience at global pharmaceutical and medical device companies, David J. Endicott is the Chief Executive Officer of Alcon and brings to the Board an in-depth knowledge of Alcon as well as the healthcare industry. He joined the Alcon Division, when still operating under the Novartis group, in July 2016 as President, Commercial and Innovation, and Chief Operating Officer. Prior to joining the Alcon Division in 2016, Mr. Endicott was President of Hospira Infusion Systems, a Pfizer company. Before joining Hospira, Mr. Endicott served as an officer and executive committee member of Allergan, Inc. where he spent more than 25 years of his career in leadership roles across Europe, Asia and Latin America, as well as the U.S. Mr. Endicott served on the board of directors of Zeltiq, Inc. and Orexigen Therapeutics, Inc. He currently serves on the board of AdvaMed.

He holds an undergraduate degree in Chemistry from Whitman College and a Master's degree in Business Administration from the University of Southern California, both in the United States.

Key Competencies: Global Business Operations, Healthcare Industry and Marketing

Age: **57**

Citizenship:
United States

Year of initial
appointment:
2019

Expiration of current
term of office:
2023



Thomas Glanzmann

Thomas Glanzmann, a venture capital investor with Medtech Ventures Partners where he evaluates and invests in medical device companies, brings those strategic insights and financial and risk management experience to the Board, as well as his decades long experience in the healthcare industry. Thomas Glanzmann is the Founder and has been a Partner at Medtech Ventures Partners since 2017. He was appointed Executive Chairman of Grifols S.A. in 2023. Before that appointment, Mr. Glanzmann served as Vice Chairman since 2017, the President of its Sustainability Committee since 2020 and as a director since 2006. He was President and Chief Executive Officer of Gambro AB from 2006 to 2011 and Chief Executive Officer and Managing Director of HemoCue AB from 2005 to 2006. Mr. Glanzmann was Senior Advisor to the Executive Chairman and Acting Managing Director of the World Economic Forum from 2004 to 2005. From 1988 to 2004, Mr. Glanzmann worked in various positions at Baxter International Inc., including President of Baxter Bioscience, Chief Executive Officer of Immuno International Co., Ltd. and President of Europe Biotech Group. In 2004, he was a Senior Vice President and Corporate Officer of Baxter Healthcare Corporation and Baxter World Trade Corporation.

He holds a Bachelor of Science in Political Science from Dartmouth College in the United States, a Master of Business Administration from the IMD Business School in Switzerland and a Board of Directors Certification from the UCLA Anderson School of Management in the United States.

Key Competencies: Global Business Management, Healthcare Industry and Technology

Age: **64**

Citizenship:
Switzerland

Year of initial
appointment:
2019

Expiration of current
term of office:
2023



D. Keith Grossman

D. Keith Grossman, with nearly 40 years of experience with medical devices and supplies, including as Chief Executive Officer of publicly held medical devices and technology companies, brings to the Board his executive and board leadership experience as well as operational and strategic planning expertise in the healthcare industry. He has been the Chairman, Chief Executive Officer and President of Nevro, Inc. since March 2019. Mr. Grossman intends to retire from his roles as Chief Executive Officer and President of Nevro in 2023 following the selection of his successor. He has also been a member of the board of directors of Outset Medical, Inc. since 2014. He was President and Chief Executive Officer of Thoratec Corporation from 1996 to 2006 and from 2014 to 2015 and was a member of the board of directors from 1996 to 2015. Mr. Grossman was Chief Executive Officer and a member of the board of directors at Conceptus, Inc. from 2011 to 2013. He was Managing Director and Senior Advisor at TPG Capital, L.P. from 2007 to 2011. Mr. Grossman also served as a member of the board of directors of ViewRay, Inc. from 2018 to 2021, Zeltiq, Inc., as Lead Director, from 2013 to 2017, Intuitive Surgical, Inc. from 2004 to 2010 and Kyphon Inc. in 2007 and served on a number of private boards of directors.

Age: **62**

Citizenship:
United States

Year of initial
appointment:
2019

Expiration of current
term of office:
2023

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



Scott Maw

An experienced financial executive with over three decades of experience at global companies, including Chief Financial Officer of Starbucks Corporation, Scott Maw contributes to the Board his extensive understanding of complex financial analysis and reporting and internal controls over financial reporting of a global company. He has been a member of the board of directors of Avista Corporation since 2016, where he is the Chair of the Compensation Committee, and Chipotle Mexican Grill Inc. since 2019, where he is the Lead Independent Director and Chair of the Audit Committee. Mr. Maw is also member of the board of trustees of Gonzaga University. He was a member of the board of directors of Root, Inc. from 2020 until February 2023. Previously, he was Executive Vice President and Chief Financial Officer at Starbucks Corporation from 2014 until the end of 2018, Senior Vice President in Corporate Finance from 2012 to 2013 and Senior Vice President and Global Controller from 2011 to 2012. From 2010 to 2011, he was Senior Vice President and Chief Financial Officer of SeaBright Holdings, Inc. From 2008 to 2010, he was Senior Vice President and Chief Financial Officer of the Consumer Bank at JP Morgan Chase and Company. Prior to this, Mr. Maw held leadership positions in finance at Washington Mutual, Inc. from 2003 to 2008 and GE Capital from 1994 to 2003.

Age: **55**

Citizenship:
United States

Year of initial
appointment:
2019

Expiration of current
term of office:
2023

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: **64**

Citizenship:
United States

Year of initial
appointment:
2019

Expiration of current
term of office:
2023

Karen May

Karen May, who possesses a unique combination of having been both a financial executive and a human resource executive of global companies, brings to the Board extensive operational, financial and human capital strategy experience. Ms. May has been a member of the board of directors of Ace Hardware Corporation, where she is Chair of the Audit and Finance Committee, since 2017. Previously, Ms. May was on the board of directors of MB Financial, Inc., where she served as Chair of the Compensation Committee until 2019. From 2012 to 2018, she was Executive Vice President and Chief Human Resources Officer at Mondelez International, Inc. (name changed from Kraft Foods, Inc. after the spin-off of select Kraft North American businesses in 2012). From 2005 to 2012, Ms. May was the Executive Vice President and Chief Human Resources Officer of Kraft Foods, Inc. Between 1990 and 2005, she held various positions in Human Resources and Finance at Baxter International Inc., including Corporate Vice President and Chief Human Resources Officer, Vice President, International Finance, and Vice President, Division Controller. Prior to Baxter International Inc., Ms. May was a Certified Public Accountant in the audit practice of Price Waterhouse.

Ms. May holds a Bachelor of Science in Accounting from the University of Illinois in the United States.

Key Competencies: Human Capital Management, Financial and Consumer Industry



Age: **54**

Citizenship:
Switzerland

Year of initial
appointment:
2019

Expiration of current
term of office:
2023

Ines Pöschel

Ines Pöschel brings to the Board not only her deep experience as a Swiss lawyer, particularly in corporate governance, capital markets and mergers and acquisitions, but her extensive leadership roles in public policy with her appointments on government and public commissions. Ms. Pöschel has been a Partner at Kellerhals Carrard Zurich KIG since 2007. She has been a member of the board of directors of Graubündner Kantonalbank since 2018 and serves on the board of directors of several non-listed Swiss companies. She was a director of Implenia AG from 2016 until 2022. Ms. Pöschel is also a member of the Swiss Federal expert commission for commercial register. From 2002 to 2007, Ms. Pöschel was a Senior Associate at Bär & Karrer AG. She was a Senior Manager at Andersen Legal LLC from 1999 to 2002.

Ms. Pöschel has a Master in Law from the University of Zurich in Switzerland, and passed the Swiss Bar Exam in 1996.

Key Competencies: ESG, Legal/Governance and Regulatory/Public Policy



Dieter Spälti, Ph.D.

As an executive of Spectrum Value Management Ltd., the family office of an iconic industrial Swiss family, Dr. Spälti has overseen all of its investments for two decades, which allows Dr. Spälti to bring to the Board significant financial and operational experience in addition to his previous consulting experience with numerous industrial, financial and technology firms in Europe, the US and Southeast Asia. Dr. Spälti served as Managing Partner at Spectrum Value Management Ltd., Switzerland from 2002 to 2006, he was then the Chief Executive Officer from 2006 to 2021 and he continues to serve as a member of their board of directors. He was a Vice Chairman and member of the board of directors at Holcim Ltd. from 2003 to 2022 and served, or continues to serve, on the board of directors of various non-listed Swiss and international companies, including several that are controlled by the same beneficial owner. Dr. Spälti was a Partner at McKinsey & Company from 1993 to 2001.

Age: **61**

Citizenship:
Switzerland

Year of initial
appointment:
2019

Expiration of current
term of office:
2023

He holds a Ph.D. in Law from the University of Zurich, Switzerland.

Key Competencies: Financial, Legal/Governance and Technology

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/default.aspx>).

The Board assesses the independence of its Board members on a regular basis, at least annually. As of December 31, 2022, all Board members, including the Chair, qualified as independent according to Alcon independence criteria, except for David J. Endicott.

Other than Mr. Endicott, who currently serves as Alcon's Chief Executive Officer, no Board member was a member of the management of the Company or any other Alcon consolidated subsidiary in the last three financial years up to December 31, 2022.

No Board member has a significant business relationship with the Company or with any other Alcon consolidated subsidiary.

Mr. Endicott is an executive member of the Board by reason of his function as Chief Executive Officer of Alcon. All other members of the Board are non-executive directors since none of them carries out operational management tasks within Alcon.

As of December 31, 2022, none of the Board members held any official government functions or political posts.

Limitations of Number of Mandates

No member of the Board may hold more than ten additional mandates in other companies, of which no more than four shall be in other listed companies. Chairs of the board of directors of other listed companies count as two mandates. Mandates in different legal entities which are under joint control are deemed one mandate. Further details can be found in Article 34 of the Articles of Incorporation, available under <https://investor.alcon.com/governance/governance/default.aspx>.

Elections and Terms of Office

The Board members, the Chair of the Board and the members of the Compensation Committee shall be elected individually by the General Meeting of Shareholders for a term of office lasting until completion of the next Annual General Meeting of Shareholders.

There is no mandatory term limit for Board members.

The rules in the Articles of Incorporation reflect the statutory legal provisions regarding the appointment of the Chair, the members of the Board, the members of the Compensation Committee and the independent proxy.

Internal Organizational Structure

General Principles and Areas of Responsibilities

The Board constitutes itself in compliance with legal requirements and taking into consideration the resolutions of the General Meeting of Shareholders. It shall elect one or two Vice-Chairs. It shall appoint a secretary, who need not be a member of the Board.

The Board is the ultimate governance body of the Company. The Board is led by its independent Chair, F. Michael Ball. Mr. Ball leads the Board in representing the interest of the Company stakeholders. Notably, he (i) provides leadership to the Board, (ii) supports the CEO, (iii) ensures an efficient way of working with the Board's Committees, the CEO and the Executive Committee, (iv) leads the annual performance assessment and (v) ensures an effective communication with the shareholders, other stakeholders and the public.

The Vice Chair is D. Keith Grossman. In this role, Mr. Grossman leads the Board as long as the Chair is incapacitated.

The duties of Mr. Ball and Mr. Grossman in their respective functions are described in more detail in Articles 20 and 21, respectively, of the Alcon Board Regulations (<https://investor.alcon.com/governance/governance/default.aspx>).

The Board is responsible for the duties assigned to it by the Articles of Incorporation and the Alcon Board Regulations, which include the overall direction and supervision of management. It holds the ultimate decision-making authority for Alcon, with the exception of any decisions reserved to the shareholders. In performing its tasks, the Board follows the highest standards of ethics, integrity and governance. It undertakes annually a self-assessment process to evaluate its performance, the performance of its committees and the individual performance of its members.

Within the limits of the law and the Articles of Incorporation, the Alcon Board has delegated certain of its duties to the Executive Committee and the Board's Committees.

Delegation to the Executive Committee

The Board has delegated to the Executive Committee the management of the business in accordance with the terms set forth in the Alcon Board Regulations. Such delegation has been formalized in Article 12 of the Alcon Board Regulations and further regulated in a set of internal regulations. Under the lead of the Chief Executive Officer, the Executive Committee is responsible for the management of the business and functions as a coordination committee, independent of any legal entity of the Alcon Group. A non-exhaustive list of the duties assigned to the Executive Committee can be found in Article 23 of the Alcon Board Regulations (<https://investor.alcon.com/governance/governance/default.aspx>).

Delegation to the Board's Committees

The Board's Committees enable the Board to work in an efficient and effective manner, ensuring a thorough review and discussion of matters, while giving the Board more time for deliberation and decision-making. For this purpose, the Board has delegated certain of its duties to each of its four permanent committees: the Audit and Risk Committee, the Compensation Committee, the Governance and Nomination Committee and the Innovation Committee. Details of the duties, responsibilities and decision-making powers of each committee can be found in the respective committee's charter, contained in the Alcon Board Regulations, available under <https://investor.alcon.com/governance/governance/default.aspx>.

In 2022, the composition of the respective Board's Committees was as follows:

Name	Audit and Risk Committee	Compensation Committee	Governance and Nomination Committee	Innovation Committee
F. Michael Ball			Member	
Lynn D. Bleil	Member			Member
Raquel Bono				Member ¹
Arthur Cummings				Member
David J. Endicott				
Thomas Glanzmann		Member	Member	Chair
D. Keith Grossman			Chair	Member
Scott Maw	Chair	Member ²		
Karen May	Member	Chair		
Ines Pöschel		Member	Member	
Dieter Spälti	Member			

¹ Dr. Raquel Bono has served as a member of the Innovation Committee since her appointment as new member of the Board of Directors of Alcon at the 2022 Annual General Meeting held on April 27, 2022.

² Scott Maw has served as a member of the Compensation Committee since his appointment as new member of the Compensation Committee at the 2022 Annual General Meeting held on April 27, 2022.

Audit and Risk Committee

The Audit and Risk Committee consisted of four members in 2022, all of whom were determined by the Board to be independent and in possession of the financial literacy and accounting or related financial management expertise, as defined in the NYSE standards. The Audit and Risk Committee meets and consults regularly with the management, the Alcon Internal Audit function, the independent external auditors and external consultants. The Audit and Risk Committee regularly reports to the full Board on its decisions and deliberations.

The primary responsibilities of this committee include:

- supervising external auditors and selecting and nominating external auditors for election at the Annual General Meeting of shareholders;
- overseeing internal auditors;
- overseeing accounting policies, financial controls and compliance with accounting and internal control standards;
- approving quarterly financial statements and financial results releases;
- overseeing internal control and compliance processes and procedures;
- overseeing compliance with laws and external and internal regulations;
- ensuring that Alcon has implemented and maintained an appropriate and effective risk management system and process;
- ensuring that all necessary steps are taken to foster a culture of risk-adjusted decision-making without constraining reasonable risk-taking and innovation;
- approving guidelines and reviewing policies and processes; and
- reviewing with management, internal auditors and external auditors the identification, prioritization and management of risks; the accountabilities and roles of the functions involved in risk management; the risk portfolio; and the related actions implemented by management.

Compensation Committee

The Compensation Committee consisted of four¹ members in 2022, all of whom were determined by the Board to be independent. The Compensation Committee meets and consults regularly with management and external consultants. The Compensation Committee regularly reports to the full Board on its decisions and deliberations.

The primary responsibilities of this committee include:

- developing a compensation philosophy in line with the principles set forth in the Articles of Incorporation and submit to the Board;
- providing oversight for Alcon's human capital strategy, including talent management, ECA members succession planning, diversity and inclusion initiatives and pay equity measures;
- designing, reviewing and recommending to the Board compensation policies and programs;
- reviewing and approving a peer group of companies for executive compensation comparisons;
- advising the Board on the compensation of Directors and the Chief Executive Officer of Alcon;
- determining the compensation of ECA members;
- supporting the Board in preparing the proposals to the General Meeting of Shareholders regarding the compensation of the members of the Board and ECA;
- preparing the annual compensation report and submitting it to the Board for approval;
- establishing executive and director stock ownership guidelines and stock trading policies and monitoring compliance with such policies; and
- overseeing communication and engagement on executive compensation matters with shareholders and their advisors.

¹ Scott Maw has served as a member of the Compensation Committee since his appointment as new member of the Compensation Committee at the 2022 Annual General Meeting held on April 27, 2022.

Governance and Nomination Committee

The Governance and Nomination Committee consisted of four members in 2022. The Governance and Nomination Committee meets and consults regularly with management and external consultants. The Governance and Nomination Committee regularly reports to the full Board on its decisions and deliberations.

The primary responsibilities of this committee include:

- designing, reviewing and recommending corporate governance principles to the Board;
- overseeing Alcon's strategy and reputation regarding ESG matters (including climate change) and annually approving Alcon's Corporate Responsibility Report;
- establishing criteria and identifying candidates for election as Directors;
- assessing existing Directors and recommending to the Board whether they should stand for re-election;
- developing and reviewing an onboarding program for new Directors and an ongoing education plan for existing Directors;
- reviewing periodically the Articles of Incorporation with a view to reinforcing shareholder rights;
- reviewing periodically the composition and size of the Board and its committees;
- directing periodic assessments of the Board, directors and committees;
- reviewing annually the independence status of each Director; and
- reviewing directorships and agreements of Directors for conflicts of interest and dealing with conflicts of interest.

Alcon is committed to fostering a sustainable business that supports the well-being of our associates, customers, communities, and planet. The ESG objectives of the Alcon Group are integrated into its decision-making to deliver long-term value for all of its stakeholders. ESG is of key importance within the Alcon governance framework and is subject to the oversight of the Board, acting principally through its Governance and Nomination Committee. Under the supervision of the Governance and Nomination Committee, the Alcon ESG Executive Steering Committee, supported by dedicated working groups, is tasked with the identification and management of environmental and social impacts. The implementation of the related strategy and day-to-day activities are conducted by subject matter experts across the enterprise, under the leadership of the Alcon Head of ESG.

Board of Directors Alcon's Board of Directors is responsible for overall ESG strategy												
Governance and Nomination Committee The Governance and Nomination Committee assists the Board in its oversight of our sustainability initiatives												
ESG Executive Steering Committee Executives from across departments, including Corporate Affairs, Human Resources, Innovation, Legal and Compliance, Manufacturing and Global Quality and Regulatory Affairs, oversee ESG topics and are responsible for identifying and managing Alcon's environmental and social impacts												
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; padding: 5px;">ESG Working Group</th><th style="text-align: left; padding: 5px;">Social Impact Committee</th><th style="text-align: left; padding: 5px;">Alcon Foundation and Alcon Cares</th><th style="text-align: left; padding: 5px;">Global Environmental Sustainability Committee</th><th style="text-align: left; padding: 5px;">Executive Diversity Council</th><th style="text-align: left; padding: 5px;">Global Privacy Office</th></tr> </thead> <tbody> <tr> <td style="padding: 5px;">Representatives from Philanthropy, Investor Relations, IT and Privacy, Health, Safety and Environment, Human Resources, Legal and Compliance, Market Access, Procurement, Supply Chain, Quality and Research and Development lead our day-to-day work</td><td style="padding: 5px;">A dedicated committee is responsible for implementing and tracking our social commitments as well as identifying innovative ways to expand access</td><td style="padding: 5px;">Our two charitable foundations provide monetary donations, product and equipment donations and expertise to our partners to help ensure the continuity of eye care in local communities</td><td style="padding: 5px;">A dedicated committee is focused on setting and achieving environmental goals for Alcon's global operations</td><td style="padding: 5px;">Leaders from across major business lines provide guidance and decision-making related to our enterprise diversity and inclusion strategy and executive sponsorship for our employee resource groups</td><td style="padding: 5px;">A dedicated team headed by Alcon's Global Head of Privacy is responsible for our privacy policies, procedures and compliance</td></tr> </tbody> </table>	ESG Working Group	Social Impact Committee	Alcon Foundation and Alcon Cares	Global Environmental Sustainability Committee	Executive Diversity Council	Global Privacy Office	Representatives from Philanthropy, Investor Relations, IT and Privacy, Health, Safety and Environment, Human Resources, Legal and Compliance, Market Access, Procurement, Supply Chain, Quality and Research and Development lead our day-to-day work	A dedicated committee is responsible for implementing and tracking our social commitments as well as identifying innovative ways to expand access	Our two charitable foundations provide monetary donations, product and equipment donations and expertise to our partners to help ensure the continuity of eye care in local communities	A dedicated committee is focused on setting and achieving environmental goals for Alcon's global operations	Leaders from across major business lines provide guidance and decision-making related to our enterprise diversity and inclusion strategy and executive sponsorship for our employee resource groups	A dedicated team headed by Alcon's Global Head of Privacy is responsible for our privacy policies, procedures and compliance
ESG Working Group	Social Impact Committee	Alcon Foundation and Alcon Cares	Global Environmental Sustainability Committee	Executive Diversity Council	Global Privacy Office							
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Innovation Committee

The Innovation Committee consisted of five members¹ in 2022. The Innovation Committee meets and consults regularly with management. The Innovation Committee regularly reports to the full Board on its decisions and deliberations.

The primary responsibilities of this committee include:

- providing counsel to the Board and management in the area of technology, application of technology and new business models;
- reviewing and making recommendations to the Board on internal pipeline and external investments (e.g. potential acquisitions, equity investments, alliances and collaborations) relative to Alcon's business portfolio, forecasted capital and operating capacity during the strategic and operating reviews;
- reviewing, evaluating and advising the Board on the strategic direction and competitiveness of the innovation pipeline through the evaluation of key innovation metrics;
- setting, reviewing, scoring and recommending for approval any innovation metrics/targets that may be incorporated into Alcon's incentive compensation plans applicable to the ECA members;
- assisting the Board with oversight, risk management and evaluation of management's criteria for selecting major new R&D and BD&L projects, assessing progress against major milestones, budget execution and post-launch revenue impact;
- reviewing, discussing and informing the Board of significant emerging science, technology, programs, issues or trends relevant to Alcon; and
- reviewing such other matters in relation to Alcon research and development, technology and innovation programs as the committee may, in its own discretion, deem desirable in connection with its responsibilities.

¹Dr. Raquel Bono has served as a member of the Innovation Committee since her appointment as new member of the Board of Directors of Alcon at the 2022 Annual General Meeting held on April 27, 2022.

Frequency, Duration and Attendance of the Meetings of the Board of Directors and its Committees

The Board and its Committees are convened as often as the conduct of the business may require.

In 2022, the Board and its Committees met as follows:

	Board of Directors	Audit and Risk Committee	Compensation Committee	Governance and Nomination Committee	Innovation Committee
Number of meetings	7	9	7	7	5
Approximate average duration ¹	6 hrs 05 min	1 h 40 min	2 hrs 05 min	1 h 30 min	2 hrs
Overall attendance	100 %	97 %	100 %	100 %	100 %

¹The approximate average duration does not include dinners, lunches or breaks.

During 2022, each Board member attended the meetings of the Board and each Committee on which he or she serves, as represented below:

Meeting attendance	Board of Directors	Audit and Risk Committee	Compensation Committee	Governance and Nomination Committee	Innovation Committee
	Number of Meetings	Number of Meetings	Number of Meetings	Number of Meetings	Number of Meetings
F. Michael Ball	7			7	
Lynn D. Bleil	7	8			5
Raquel Bono ¹	5				3
Arthur Cummings	7				5
David J. Endicott	7				
Thomas Glanzmann	7		7	7	5
D. Keith Grossman	7			7	5
Scott Maw ²	7	9	4		
Karen May	7	9	7		
Ines Pöschel	7		7	7	
Dieter Spälti	7	9			

¹Raquel Bono has served as a member of the Board and as a member of the Innovation Committee since her appointment at the 2022 Annual General Meeting held on April 27, 2022.

²Scott Maw has served as a member of the Compensation Committee since his appointment as new member of the Compensation Committee at the 2022 Annual General Meeting held on April 27, 2022.

Board Evaluation and Education

The Governance and Nomination Committee and the Chair of the Board coordinate an annual self-evaluation of the Board and its Committees, which includes individual interviews with the Board Chair and the completion of a confidential survey by Board members. The Chair summarizes for the Board the results of the evaluation, and any findings are appropriately addressed. In addition, each Committee conducts its own self-evaluation annually.

The Board recognizes the value of independent development and learning by its members. Therefore, it established a Director Education Program for its members, the purpose of which is to provide for internal and external speakers on trending topics, experiential learning of Alcon and its industry through site tours and product demonstrations and, at each Board member's option, externally provided coursework. The intent of the Director Education Program is to ensure Board members are well-versed in matters related to Alcon, its business and the rapidly changing corporate governance environment.

Information and Control System of the Board vis-à-vis the Management

The Board ensures that it receives through several channels sufficient information from the Executive Committee to perform its supervisory duties and to make the decisions that are reserved to it by law, i.e. its non-delegable decisions.

Information to the Board of Directors

The Alcon Board Regulations confer to the members of the Board the right to have full and unrestricted access to management and employees of the Company and its subsidiaries in the execution of their duties. Also, the Chief Executive Officer regularly informs the Board regarding the performance of the business including risks and potential upsides to the operating plan. The Board and its Committees meet as often as required with the Chief Executive Officer and members of the Executive Committee or other members of the senior management. Further, the Board may invite, in accordance with the Alcon Board Regulations, external advisors to attend board or committee meetings in order to obtain a third party independent perspective on certain topics. Information is further communicated to the Board through regular reports (please refer to the section below "Alcon Management Information System").

Alcon Management Information System

The Board receives monthly reports on the financial performance of the Company, including the performance of the Surgical and Vision Care segments. On a quarterly basis, prior to the release of each quarter's results, the Board receives the Consolidated Financial Statement information and an outlook of the full-year results in accordance with IFRS and "core" results together with related commentary.

On an annual basis, the Board receives and approves the financial targets for the fiscal year. Mid-year, the Board meets for a strategic review of the business and approves the strategic plan for the next five years.

Additionally, throughout the year, the Board directly or through its Committees also receives reports on, among other things:

- the enterprise risk management program and risk assessment reports;
- the compliance program;
- the internal audit function;
- manufacturing and technical operations;
- research and development and product pipeline;
- ESG matters;
- organic and inorganic innovation;
- commercial strategies and product launches;
- digital commerce opportunities;
- legal matters;
- competitive developments; and
- industry trends.

In matters of significance, the Board receives direct, immediate information.

Internal Audit

The purpose of the internal audit function is to review Alcon's financial, operational, information technology and compliance activities to review compliance with laws, regulations and internal policies. It also supports Alcon's efforts to maintain accurate and timely financial reporting while seeking to add value by suggesting improvements to Alcon's operations and to assist Alcon in achieving its strategic and financial objectives. Internal audit is led by the Chief Audit Executive ("CAE") who functionally reports to the Audit and Risk Committee. The CAE is responsible for the development, review and modification of Alcon's internal audit policies and procedures. The CAE reviews effectiveness and efficiency of the internal control framework with existing policies and regulations and proposes remediation actions where deficiencies were identified. The CAE periodically submits to the Audit and Risk Committee reports on the activities of the internal audit function. In 2022, internal audit was involved in a total of 61 audit engagements. The results and remediation status of these audit engagements are reported to the Audit and Risk Committee on a periodic basis. At the final meeting for the year 2022, the Audit and Risk Committee reviewed and approved the Internal Audit plan for 2023.

Internal Control System

Alcon's internal control system is designed to provide reasonable assurance to the Board and management regarding the reliability of financial reporting and accounting policies and the preparation and the presentation of the Company's financial statements. In 2022, Alcon's internal controls framework has been fully tested for effectiveness. The Audit and Risk Committee has ultimate responsibility to oversee the adequacy and effectiveness of internal control over financial reporting.

Risk Management

The Audit and Risk Committee has the responsibility to ensure the implementation of an appropriate and effective risk management system and process and to foster a culture of risk-adjusted decision-making without constraining reasonable risk taking and innovation. It approves guidelines and reviews policies and processes. In addition, the Audit and Risk Committee reviews with management, internal auditors and external auditors, the identification, prioritization and management of the risks, the accountabilities and roles of the functions involved with risk management, the risk portfolio and the related actions implemented by management. The Audit and Risk Committee informs the Executive Committee and the Board on a periodic basis on the risk management system and on the most significant risks and how these are managed. The CAE supports the Audit and Risk Committee and performs appropriate reviews of Alcon's risk management strategy.

Alcon's key risk management tool is the Enterprise Risk Management ("ERM") program, the purpose of which is to help execute on Alcon's strategy within the boundaries of regulations and improve the probability of achieving Alcon's strategic and financial objectives. Alcon's vision is to design a sustainable and appropriately scaled ERM program to proactively manage existing and emerging threats and opportunities to the business. The ERM program aims in particular to provide the business with the following: (i) operation discipline and rigor to enable business continuity, creation and preservation of value, (ii) forums for frequent risk discussions and escalation of relevant items with leadership and (iii) guidance, techniques and support to identify, assess (e.g. likelihood and impact), manage, monitor and report on major risks, including proper mitigation if necessary. The ERM program is under the supervision of a dedicated committee that is comprised of senior members of management and the members of the Audit and Risk Committee.

Compliance Function

As part of its global control system, Alcon has established a comprehensive global integrity and compliance program, under the supervision of the Audit and Risk Committee. The program is led by the Global Head, Integrity and Compliance under the functional leadership of Alcon's General Counsel and is intended to help prevent, detect and mitigate compliance risk across the organization. The program is built on a culture and expectation of compliance at all levels. The fundamental elements of the program include dedicated resources to address compliance globally, formal compliance governance, a global intake process to receive questions and concerns (including through Alcon's Ethics Helpline), written standards, communications, training, multiple levels of risk-based auditing and monitoring, review of alleged misconduct and corrective/disciplinary actions for violations. The Audit and Risk Committee receives periodic updates on the performance of the Integrity and Compliance program and compliance related matters. The program also includes compliance committees, which have been established at the corporate, regional and country-levels and include participation by the Executive Committee and other senior leadership to provide strategic direction and oversight relating to the management of compliance risks for Alcon. Policies are reviewed and updated on a regular basis to address changes in laws and regulations and to strengthen compliance.

Executive Committee

Composition of the Executive Committee

As of December 31, 2022, the Executive Committee of Alcon was composed of the following members (ages listed are as of December 31, 2022):



David J. Endicott, Chief Executive Officer

Please refer to the biography set forth under "Board of Directors."

Age: **57**

Citizenship:
United States



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

Laurent Attias is Head of Corporate Development, Strategy, BD&L and M&A where he leads the development of long-term strategic plans for the Surgical and Vision Care segments of Alcon and is responsible for Alcon's BD&L, M&A, partnerships and alliance activities, a role which he has held since 2015. Since 1994 when Mr. Attias joined Alcon, he has had various roles with increasing responsibility beginning with positions in Alcon's Sales and Marketing functions and then holding the positions of Vice President, Refractive Sales and Marketing from 2002 to 2007; Vice President/General Manager of Alcon Canada from 2007 to 2009; Vice President, Central & Eastern Europe, Italy and Greece from 2009 to 2010; and President, Europe, Middle East and Africa ("EMEA") from 2010 to 2012. From 2012 to 2015, as Senior Vice President of Global Commercial Franchises, Mr. Attias led all commercial execution and product pipeline activities of Alcon's Surgical, Pharmaceutical and Vision Care franchises.

Mr. Attias holds both a Bachelor of Business Administration in Marketing and a Master of Business Administration from Texas Christian University in the United States.

Age: **55**

Citizenship:
France and United States



Age: **52**

Citizenship:
United Kingdom

Ian Bell, President, Global Business & Innovation

Ian Bell has been the President, Global Business & Innovation since September 2021 where he oversees the development of new products and digital health solutions as well as the Alcon Surgical and Vision Care businesses. From January 2019 until he was appointed to his current role, he was President-International, overseeing the Europe, Russia, Middle East and Africa, Asia Pacific, Japan and Latin America and Caribbean markets. He joined Alcon in March 2016 as President of EMEA. From 2014 until joining Alcon, Mr. Bell served as Corporate Vice President and President of the EMEA region for Hospira. Mr. Bell was Corporate Vice President and President of Allergan, Inc.'s Asia Pacific region, based in Singapore, from 2008 to 2014. Mr. Bell joined Allergan in 2005 as Vice President and Managing Director of its neurosciences division for the EMEA region. He began his career at GlaxoSmithKline, where he held roles of increasing responsibility and scope in sales, marketing and strategy for more than 10 years.

Mr. Bell was awarded the degree of Bachelor of Arts with honors in Economics from the University of York in the United Kingdom.



Age: **55**

Citizenship:
Mexico and United States

Leon Sergio Duplan Frausto, President North America

Sergio Duplan has served as President-North America, overseeing the United States and Canada markets since 2015. Mr. Duplan joined Alcon in 2012 and served as Alcon's President of Latin America and Canada for Alcon for three years. Mr. Duplan began his career with Novartis in 2004, as Vice President of Sales in General Medicines, in Mexico then served as Head of Marketing and Sales for Latin America, General Medicines, Pharma from 2006 to 2008 and then Country Pharma Organization Head and Country President of Novartis Mexico from 2008 to 2012. Prior to joining Novartis, Mr. Duplan held several positions of increasing responsibility in Sales, Finance and Country Management at Procter & Gamble and Eli Lilly & Co. He is also currently a board member of The Alcon Foundation and Helen Keller International.

Mr. Duplan holds a Bachelor degree in Industrial Engineering from Universidad Iberoamericana in Mexico and a Master of Business Administration from The Wharton School at the University of Pennsylvania in the United States.



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

Sue-Jean Lin is Senior Vice President, Chief Information and Transformation Officer where she leads the technology initiatives within Alcon and is responsible for leading the development and implementation of Alcon's transformation program. Ms. Lin joined Alcon in August 2018 as Senior Vice President, Chief Information Officer. Prior to joining Alcon, Ms. Lin was Senior Vice President and Chief Information Officer for Hill-Rom Holdings, Inc., a global medical technology company. Prior to joining Hill-Rom in 2016, she spent more than two decades with Allergan, Inc., including as its Senior Vice President and Chief Information Officer, and before that, its Vice President of Finance & Regional Controller (Europe, Middle East, and Africa and Asia Pacific). In 2015, she also served as Interim Executive for Presbyterian Healthcare Services in the capacity of Senior Vice President and Chief Information Officer. She has served on the board of directors of Arcutis Biotherapeutics, Inc. since June 2021.

Ms. Lin holds both a Bachelor's degree in Accounting and a Master's degree in Business Administration from the University of Nevada, Reno. She also completed the Executive Leadership Program from the University of Southern California, Marshall School of Business, and holds a Cybersecurity Oversight certificate from Software Engineering Institute of Carnegie Mellon University.

Rajkumar Narayanan, President, International

Mr. Narayanan has been the President, International since September 2021 where he oversees the Europe, Russia, Middle East and Africa, Asia Pacific, China, Japan, Latin America and Caribbean markets. From April 2019 until he was appointed to his current role, he was Senior Vice President, Operational Strategy and Chief Transformation Officer and was responsible for leading the development and implementation of Alcon's transformation program. He joined Alcon in June 2017 as President Asia Pacific Region from Allergan, Inc., where he worked for 22 years in roles of increasing responsibility, including Senior Vice President Asia Pacific Region from 2014 to 2017; Vice President and Managing Director of the Medical Aesthetic Franchise for Europe Africa and Middle East from 2011 to 2014; and Vice-President, Greater China & Japan from 2008 to 2011. Prior to those roles, Mr. Narayanan was a part of Allergan's Finance function in a number of Country, Region and Corporate Finance roles. Mr. Narayanan started his career in finance with Hindustan Unilever India in 1987.

Mr. Narayanan holds a Bachelor of Science degree in Accounting and Finance from Mumbai University. He is also a Chartered Accountant and a Cost and Works Accountant in India.

Age: **64**

Citizenship:

United Kingdom and United States



Age: **58**

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.

Age: **55**

Citizenship:
United States

Mr. Stonesifer holds a Bachelor of Arts in Economics from the University of Michigan in the United States.

Role of the Executive Committee

The members of the Executive Committee are appointed by the Board. In accordance with the Articles of Incorporation and the Alcon Board Regulations, the Board delegated the responsibility for the management of the business to the Executive Committee, under the lead of the Chief Executive Officer.

The Executive Committee shall in particular (i) develop strategies and policies and implement those upon approval by the Board, (ii) coordinate and monitor the group's functions to achieve the business targets, (iii) ensure the efficient operation of the group, (iv) manage the proper provision and use of capacity and financial and other resources within the group and (v) ensure the development and succession of the senior management.

Alcon has not entered into any management agreements with any third parties pursuant to which Alcon would delegate any business management responsibilities to any such third parties.

As of December 31, 2022, none of the members of the Executive Committee held any official functions or political posts.

Limitations of Number of Mandates

No member of the Executive Committee may hold more than six additional mandates in other companies, of which no more than two additional mandates shall be in other listed companies. Each of these mandates shall be subject to approval by the Board. Members of the Executive Committee are not allowed to hold chairs of the board of directors of other listed companies. Further details can be found in Article 34 of the Articles of Incorporation, available under <https://investor.alcon.com/governance/governance/default.aspx>.

Compensation, Shareholdings and Loans

Please refer to "Item 6.B - Compensation".

Shareholders' Participations Rights

Voting-right Restrictions and Representation

Alcon has not imposed any restriction regarding share ownership or voting rights. Nominees shareholdings are not subject to any limitations. The right to vote at Alcon general meetings may only be exercised by a shareholder, usufructuary or nominee who is duly registered in Alcon share register on the record date for the applicable general meeting. Shareholders can be represented at general meetings by the independent proxy or by a third person authorized by written proxy who does not need to be a shareholder. As required by law, shareholders will also be given the opportunity to issue their voting instructions to the independent proxy electronically through an online voting platform.

Each Alcon share has the right to one vote. Shares held by the Company or any of its consolidated subsidiaries are not entitled to vote. Votes are taken either by a show of hands or by electronic voting, unless the General Meeting of Shareholders resolves to have a ballot or where a ballot is ordered by the chairman of the meeting.

Statutory Quorums

Unless otherwise required by law, the General Meeting passes resolutions and elections with the absolute majority of the votes duly represented.

According to Article 704 of the Swiss Code of Obligation as per December 31, 2022, the following shareholders' resolutions require the approval of at least two thirds of the votes represented at a General Meeting of Shareholders: (1) an alteration of Alcon's corporate purpose; (2) the creation of shares with increased voting powers; (3) an implementation of restrictions on the transfer of registered shares and the removal of such restrictions; (4) an authorized or conditional increase of the share capital; (5) an increase of the share capital by conversion of equity, by contribution in kind, or for the purpose of an acquisition of property or the grant of special rights; (6) a restriction or an exclusion of shareholders' pre-emptive rights; (7) a change of Alcon's registered office; (8) Alcon's dissolution; or (9) any amendment to the Articles of Incorporation which would create or eliminate a supermajority requirement.

Swiss law further provides for a qualified majority for certain special resolutions, such as in case of merger or demerger.

Convocation of General Meetings

The Annual General Meeting shall be held within six months after the close of the financial year of the Company. According to our Articles of Incorporation, Extraordinary General Meetings may be convened upon request of the Alcon Board, the auditors or one or more shareholders representing in aggregate not less than 10% of the Company's share capital. At least 20 days before the General Meeting, the invitation including the agenda is published in the Swiss Gazette of Commerce and mailed to the registered shareholders.

Agenda

According to our Articles of Incorporation, one or more Alcon shareholders whose combined shareholdings represent an aggregate nominal value of at least CHF 1 million may demand that an item be included in the agenda of a General Meeting of Shareholders. Such a demand must be made in writing at the latest 45 days before the meeting and shall specify the items and the proposals of such shareholder.

Registration in the Share Register

The share register of the Company is a non-public register, subject to confidentiality and privacy and data protections imposed on Alcon to protect registered shareholders. Alcon shares can be voted only if their relevant holder is registered in the Alcon share register by the record date determined by the Board. The Articles of Incorporation do not provide for any specific rule regarding the closure of the share register.

Quiet Periods

The Company has strict internal policies regarding insider trading, in line with applicable regulations and international best practice standards.

Quiet Periods start fourteen days prior to the beginning of the last trading day of each calendar quarter and end following the first full trading day after the date of the release of the quarterly and/or annual results, unless otherwise designated by the Alcon Disclosure Committee. The Company has identified a certain number of Continuing Insiders, i.e. key individuals who may continuously be in possession of material non-public information, that are prohibited from trading in any Alcon securities during Quiet Periods and may trade in any such securities outside of Quiet Periods only with the prior written approval of the Company's corporate legal department.

In addition, Alcon associates may be designated Temporary Insiders in connection with confidential projects. In this capacity, they are prohibited to trade, during a certain period of time defined as a No Trading Period, in any securities of either Alcon or another company in which any such Alcon associate may have acquired material non-public information.

Changes of Control and Defense Measures

Duty to Make an Offer

Under the Swiss Financial Market Infrastructure Act, shareholders and groups of shareholders acting in concert who acquire more than 33.3% of Alcon shares would be under an obligation to make an offer to acquire all remaining Alcon shares. Alcon has neither opted out from the mandatory takeover offer obligation nor opted to increase the threshold for mandatory takeover offers in the Articles of Incorporation.

Clauses on Change of Control

In accordance with the rules of the Ordinance against Excessive Compensation in Listed Companies as per December 31, 2022, Alcon does not provide severance payments upon a change of control or "golden parachute" provisions in its agreements with its Directors, Executive Committee members or other members of senior management. Alcon's Long Term Incentive Plan and Deferred Bonus Stock Plan, each applicable to all employee participants including Executive Committee members, provide for double trigger accelerated vesting of outstanding stock awards in the event a participant leaves the company for "good reason" or Alcon terminates the employee without "cause," as such terms are defined in the plans, within two years following a change of control. If such a double trigger event occurs, the participant's outstanding unvested awards would vest in full. In the case of Performance Share Units, awards less than 50% vested would vest at target and awards more than 50% vested would vest in accordance with Alcon's actual performance, as determined by the Compensation Committee.

Auditors

Duration of the Mandate and Terms of Office of the Auditors

PricewaterhouseCoopers SA, Switzerland ("PwC Switzerland"), has been the statutory auditor of the Company since 2019 and conducts the audit activities required by Swiss law and the related SIX regulations. It was re-elected on April 27, 2022 for a term of one year for the 2022 financial year. Mike Foley has been the auditor in charge of the statutory audit since 2019. Alcon has a policy to rotate the lead audit partner of the statutory auditor at least once every five years.

Separately, on February 9, 2022, the Company appointed PricewaterhouseCoopers LLP, United States ("PwC US") (PCAOB ID No. 238), for a term of one year, as its independent registered accounting firm to conduct the audit activities required by US law and the related NYSE regulations. PwC US performs the audit from offices located in Fort Worth, Texas. The appointment of PwC US does not require approval of the Company's shareholders.

Auditing Fees and Additional Fees

The following table sets forth the amount of audit fees, audit-related fees, tax fees and all other fees billed or expected to be billed in aggregate by PwC Switzerland, PwC US and any other member firm of PricewaterhouseCoopers International Limited that rendered audit and related services to any member of Alcon, for the fiscal years ended December 31, 2022 and December 31, 2021:

(\$ millions)	2022	2021
Audit fees	11.0	9.4
Audit related fees	0.4	0.2
Tax fees	0.1	0.1
All other fees	0.2	—
Total	11.7	9.7

Audit fees include fees billed for professional services rendered for audits of our annual consolidated and standalone financial statements, reviews of consolidated quarterly financial information and statutory audits of the Company (including in particular the Compensation Report) and our subsidiaries.

Audit-related fees include fees billed for assurance and related services such as due diligence, accounting consultations and audits in connection with mergers and acquisitions, employee benefit plan audits, internal control reviews and consultations concerning financial accounting and reporting standards.

Tax fees include fees billed for professional services for tax compliance, tax advice and tax planning.

All other fees include non-audit and accounting research services.

Control Measures over the Activities of the Auditors

The Board has delegated to the Audit and Risk Committee the oversight of the activities of the external auditors. The Audit and Risk Committee evaluates on an annual basis the qualifications and performance of our auditors and will determine whether PwC Switzerland should be proposed to the general meeting to stand for re-election. The criteria applicable of the performance assessment of our auditors include professional competence, sufficiency of resources to complete the audit mandate, independence and objectivity, capability to provide effective and pragmatic recommendations and coordination with the Audit and Risk Committee and other functions of the Alcon group, including internal audit.

Upon recommendation of the Audit and Risk Committee, the Board proposed that the shareholders accept the audited Consolidated Financial Statements of the Alcon group and the financial statements of the Company.

The Audit and Risk Committee is further responsible for the compensation of our auditors and pre-approve all auditing services, internal control-related services and non-audit services permitted under applicable statutory law, regulations and listing requirements.

In 2022, our auditors participated in five meetings of the Audit and Risk Committee in order to discuss auditing matters and present the 2022 audit strategy and audit results. In addition, our auditors regularly meet in private session with the Audit and Risk Committee and individually with the Chair of the Audit and Risk Committee. Our auditors provide at least once a year to the Audit and Risk Committee a report regarding (i) the external auditor's internal quality-control procedures, (ii) any material issues raised by quality-control reviews or any inquiry or investigation by governmental or professional authorities, (iii) any step taken to deal with such issues and (iv) all relationships between the external auditor and the Alcon group.

Information Policy

Alcon is committed to pursuing an open and transparent communication with shareholders, suppliers, customers and other stakeholders. It publishes information in a professional manner in accordance with best practices and legal requirements.

Investor Relations

Effective communication with shareholders is an important part of Alcon's governance framework. Therefore, the Company is committed to actively engaging with shareholders and keeping them informed about Alcon's business, governance, strategy and performance, in accordance with applicable laws and regulations. Supported by the Investor Relations team, the Chair leads and supervises the annual shareholder outreach initiative, while the CEO and the CFO are responsible for the management of the day-to-day activities necessary to maintain transparent and open shareholder relationships. The Company believes good engagement and dialogue with the financial community is critical in securing support and confidence in management's leadership and Board's governance of Alcon. The Investor Relations team regularly organizes opportunities to learn about the Company through in-person and virtual meetings throughout the year, subject to its quiet period policy.

Communications

Financial information is published in the form of annual and quarterly financial results, in accordance with internationally recognized accounting standards. Related material, including annual reports, Form 20-Fs, quarterly results releases, investors presentations and conference call webcasts are available on the Alcon website. From time to time, Alcon issues press releases regarding business developments. Investors may subscribe to receive via email distributions providing news and notification about Alcon. The dissemination of material information about business developments is made in accordance with the rules of the SIX and the NYSE.

Information contained in reports and releases may only be deemed accurate in any material respect at the time of the publication. Past releases are not updated to reflect subsequent events.

Alcon's website provides regular information and updates about the Company at www.alcon.com. 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. In contrast, under NYSE listing standards, the audit committee for US domestic companies is responsible for the appointment of the independent auditors.

Supervision of the Internal Audit Function

The CFO and the Audit and Risk Committee share the supervisory responsibility with respect to the internal audit function. In contrast, under NYSE standards, only the audit committee supervises the internal audit function.

Responsibility of the Compensation Committee for Performance Evaluations of Senior Management

In line with Swiss law, our Compensation Committee, together with the Board, proposes for shareholder approval at the Annual General Meeting the maximum aggregate amount of compensation for the Board and the maximum aggregate amount of fixed and variable compensation for the Executive Committee. Our shareholders elect each of the members of the Compensation Committee at the Annual General Meeting. In contrast, under NYSE standards, it is the responsibility of the compensation committee to evaluate senior management performance and to determine and approve, as a committee or together with the other independent directors, the compensation for senior officers and the board. US domestic companies listed on NYSE are only required to provide shareholders a periodic advisory non-binding vote on a company's executive compensation practices.

Shareholders' Votes on Equity Compensation Plans

Swiss law authorizes the Board to approve equity-based compensation plans. Shareholder approval is only mandatory if equity-based compensation plans require an increase in capital. No shareholder approval is required if shares for issuance under such plans are purchased by the issuer in the open market. In contrast, the NYSE standards require shareholder approval for the establishment of and material revisions to all equity compensation plans.

6.D. EMPLOYEES

The table below sets forth the breakdown of the total year-end number of our full-time equivalent employees by main category of activity for the past three years.

	For the year ended December 31,		
	2022	2021	2020
Production & Supply	12,815	12,362	12,237
Marketing & Sales	8,124	7,893	7,450
General & Administration	2,133	2,180	2,087
Research & Development (including support)	2,106	1,954	1,881
Total full-time equivalent employees	25,178	24,389	23,655

Unions or works councils represent a significant number of our associates. We have not experienced any material work stoppages in recent years, and we consider our employee relations to be good.

6.E. SHARE OWNERSHIP

The information set forth under "Item 6.B. Compensation" is incorporated by reference. Also, refer to Note 23 to the Consolidated Financial Statements for a discussion of our equity-based compensation programs.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A. MAJOR SHAREHOLDERS

The information set forth under “Item 6. Directors, Senior Management and Employees—6.C. Board Practices—Corporate Governance” is incorporated by reference.

7.B. RELATED PARTY TRANSACTIONS

None.

7.C. INTERESTS OF EXPERTS AND COUNSEL

Not Applicable.

ITEM 8. FINANCIAL INFORMATION

8.A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Please refer to the financial statements beginning on page F-1 of this Annual Report.

Legal Proceedings

Please refer to Note 18. Provisions and other non-current liabilities of the financial statements beginning on page F-1 of this Annual Report.

Dividend Policy

Alcon expects that it will continue to recommend to shareholders the payment of a regular annual cash dividend based on the prior year's core net income; however, the declaration, timing and amount, including potential increases, of any dividends will be subject to the approval of our shareholders at a General Meeting. The determination of the Board as to whether to recommend a dividend and the approval of any such proposed dividend by our shareholders will depend upon many factors, including our financial condition, earnings, corporate strategy, capital requirements of our operating subsidiaries, covenants, legal requirements and other factors deemed relevant by the Board and shareholders. For additional information, see "Item 3. Key Information—3.D. Risk Factors—Risks related to the Ownership of our Shares—We may not pay or declare dividends".

For information about deduction of the withholding tax or other duties from dividend payments, see "Item 10. Additional Information—10.E. Taxation—Swiss Taxation—Swiss Residents—Withholding Tax on Dividends" and "Item 10. Additional Information—10.E. Taxation—US Federal Income Taxation—Distributions on the Shares".

Disclosure pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act (ITRA)

Under Section 13(r) of the Exchange Act, we are required to disclose if we or any of our affiliates knowingly conducted a transaction or dealing with entities or individuals designated pursuant to certain Executive Orders. The US government has designated the Russian Federal Security Service (the "FSB") pursuant to one of those Executive Orders, and the US Department of the Treasury's Office of Foreign Assets Control has accordingly issued Cyber General License No. 1B, which generally permits transactions and activities prohibited by the relevant Executive Order involving the FSB that are necessary and ordinarily incident to requesting, receiving, utilizing, paying for or dealing in licenses, permits, certifications, or notifications issued or registered by the FSB for the importation, distribution, or use of information technology products in Russia.

During 2022, one of our subsidiaries filed notifications with the FSB as required pursuant to Russian encryption product import controls for the purpose of enabling the subsidiary to import and distribute in Russia certain medical devices that make use of encryption functionality. Neither we nor our subsidiaries generated any gross revenues or net profits directly from such approval activity and neither we nor our subsidiaries sell to the FSB. We expect our subsidiary to continue to file notifications with the FSB related to medical devices containing encryption technology as required under Russia law.

8.B. SIGNIFICANT CHANGES

A discussion of significant changes in our business can be found under "Item 4. Information on the Company —4.A. History and Development of the Company", "Item 4. Information on the Company — 4.B. Business Overview" and "Item 5. Operating and Financial Review and Prospects — 5.A. Operating Results".

ITEM 9. THE OFFER AND LISTING

9.A. OFFER AND LISTING DETAILS

Alcon Inc. shares are listed on the SIX and the NYSE as global registered shares under the trading ticker “ALC”. As such, they can be traded and transferred across applicable borders, without the need for conversion, with identical shares traded on different stock exchanges in different currencies. During 2022, the average daily trading volume of Alcon Inc. shares was approximately 0.8 million shares on the SIX and approximately 0.9 million shares on the NYSE.

As of the date of this Annual Report, our shares are included in a number of indices, including the “Swiss Market Index”, or SMI, the principal Swiss index published by the SIX. This index contains 20 of the largest and most liquid stocks based on market capitalization and the most active stocks listed on the SIX. The SMI indicates trends in the Swiss stock market as a whole and is one of the most widely followed stock price indices in Switzerland.

9.B. PLAN OF DISTRIBUTION

Not Applicable.

9.C. MARKETS

See “Item 9.A. Offer and listing Details.”

9.D. SELLING SHAREHOLDERS

Not Applicable.

9.E. DILUTION

Not Applicable.

9.F. EXPENSES OF THE ISSUE

Not Applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A. SHARE CAPITAL

Not Applicable.

10.B. MEMORANDUM AND ARTICLES OF ASSOCIATION

We incorporate by reference into this Annual Report the description of our Articles of Incorporation and our Regulations of the Board contained in our Registration Statement on Form 20-F, as amended, initially filed with the SEC on November 13, 2018 (File No. 001-31269).

10.C. MATERIAL CONTRACTS

Revolving Credit Facilities

In connection with the Spin-off, we borrowed an aggregate of approximately \$3.2 billion under the Facilities, including a 364-day bridge loan, a three-year term loan and two five-year term loans. In addition, we entered into the Revolving Facility. We then paid to Novartis approximately \$3.1 billion to satisfy certain intercompany indebtedness owed by Alcon and its subsidiaries to Novartis and its affiliates. Other than the Revolving Facility, none of the facilities are available to us for borrowings. The Revolving Facility remained undrawn as of December 31, 2022.

2019 Bond Offering

On September 23, 2019, Alcon Finance Corporation (the "Issuer"), an indirect, wholly owned subsidiary of Alcon, completed an offering of the Initial Notes. The Initial Notes were issued under an Indenture, dated September 23, 2019 (the "Indenture"), by and among the Issuer, Alcon Inc. and Citibank, N.A., as trustee (the "Trustee"). The Initial Notes are senior unsecured obligations of the Issuer and are fully and unconditionally guaranteed on a senior basis by Alcon.

Interest is payable on the Initial Notes on March 23 and September 23 of each year, beginning on March 23, 2020. The Series 2026 Notes will mature on September 23, 2026, the Series 2029 Notes will mature on September 23, 2029 and the Series 2049 Notes will mature on September 23, 2049.

The Issuer may redeem the Series 2026 Notes prior to July 23, 2026 (the date that is two months prior to their maturity date), the Series 2029 Notes prior to June 23, 2029 (the date that is three months prior to their maturity date) or the Series 2049 Notes prior to March 23, 2049 (the date that is six months prior to their maturity date) at a redemption price equal to 100% of the principal amount of the applicable series of Initial Notes plus a "make-whole premium" and accrued and unpaid interest, if any, up to, but excluding, the redemption date. The Issuer may also redeem the Series 2026 Notes on or after the date that is two months prior to their maturity date, the Series 2029 Notes on or after the date that is three months prior to their maturity date or the Series 2049 Notes on or after the date that is six months prior to their maturity date at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

In addition, the Issuer may redeem any series of the Initial Notes at its option, in whole, but not in part, for cash, at any time prior to their respective maturities at a price equal to 100% of the outstanding principal amount of such Initial Notes, plus accrued and unpaid interest, to, but excluding, the redemption date, if certain tax events occur that would obligate the Issuer to pay additional amounts as described in the Indenture.

Subject to certain limitations, in the event of a change of control triggering event, the Issuer will be required to make an offer to purchase each series of the Initial Notes at a price equal to 101% of the principal amount of the Initial Notes, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase.

The Indenture also contains certain limitations on the Issuer's ability to incur liens, as well as customary events of default.

2020 Bond Offering

On May 27, 2020, the Issuer completed an offering of the Series 2030 Notes. The Series 2030 Notes were issued under the same Indenture as the Initial Notes. The Series 2030 Notes are senior unsecured obligations of the Issuer and are fully and unconditionally guaranteed on a senior basis by Alcon.

Interest is payable on the Series 2030 Notes on May 27 and November 27 of each year, beginning on November 27, 2020. The Series 2030 Notes will mature on May 27, 2030.

The Issuer may redeem the Series 2030 Notes prior to February 27, 2030 (the date that is three months prior to their maturity date) at a redemption price equal to 100% of the principal amount of the Series 2030 Notes plus a “make-whole premium” and accrued and unpaid interest, if any, up to, but excluding, the redemption date. The Issuer may also redeem the Series 2030 Notes on or after the date that is three months prior to their maturity date at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

In addition, the Issuer may redeem the Series 2030 Notes at its option, in whole, but not in part, for cash, at any time prior to their respective maturities at a price equal to 100% of the outstanding principal amount of such Series 2030 Notes, plus accrued and unpaid interest, to, but excluding, the redemption date, if certain tax events occur that would obligate the Issuer to pay additional amounts as described in the Indenture.

Subject to certain limitations, in the event of a change of control triggering event, the Issuer will be required to make an offer to purchase the Series 2030 Notes at a price equal to 101% of the principal amount of the Series 2030 Notes, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase.

The Indenture also contains certain limitations on the Issuer’s ability to incur liens, as well as customary events of default.

2022 European Bond Offering

On May 31, 2022, AFBV completed an offering of the Series 2028 Notes. The Series 2028 Notes are senior unsecured obligations of AFBV and are fully and unconditionally guaranteed on a senior basis by Alcon.

Interest is payable on the Series 2028 Notes on May 31 of each year, beginning on May 31, 2023. The Series 2028 Notes will mature on May 31, 2028.

AFBV may redeem the Series 2028 Notes, prior to March 31, 2028 (the date that is two months prior to their maturity date) at a redemption price equal to 100% of the principal amount of the Series 2028 Notes plus a “make-whole premium” and accrued and unpaid interest, if any, up to but excluding the redemption date. AFBV may also redeem the Series 2028 Notes, in whole, but not in part, on or after the date that is two months prior to their maturity date at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest, if any, up to, but excluding the redemption date. If at any time, eighty percent (80%) or more of the aggregate principal amount of the Series 2028 Notes originally issued has been redeemed, purchased, or cancelled, AFBV may redeem or purchase, in whole, but not in part, the remaining outstanding Series 2028 Notes at the applicable “clean up price” as described in the terms and conditions of the Series 2028 Notes.

In addition, AFBV may redeem the Series 2028 Notes at any time prior to their respective maturities at a price equal to 100% of the outstanding principal amount of such Series 2028 Notes, plus accrued and unpaid interest, up to, but excluding the redemption date, if certain tax events occur that would notably obligate the Issuer to pay additional amounts as described in the terms and conditions of the Series 2028 Notes.

Subject to certain limitations, in the event of a change of control triggering event, AFBV will be required to make an offer to purchase the Series 2028 Notes at a price equal to 100% of the principal amount of the Series 2028 Notes, plus accrued and unpaid interest, if any, up to, but excluding the date of repurchase.

The terms and conditions of the Series 2028 Notes also contain certain limitations on AFBV’s ability to incur liens, as well as customary events of default.

2022 Bridge Loan Facility

On September 14, 2022, Alcon and the Issuer entered into a facility agreement with J.P. Morgan Securities PLC as arranger, J.P. Morgan Chase Bank, N.A., London Branch as original lender, bookrunner and underwriter, and J.P. Morgan SE as agent (the “2022 Bridge Loan Facility Agreement”). The 2022 Bridge Loan Facility Agreement provided for a \$900 million unsecured term loan facility (the “2022 Bridge Loan Facility”) for the purposes of financing or refinancing (i) the consideration payable for the Aerie acquisition, (ii) any existing indebtedness of Aerie and its subsidiaries and (iii) related

fees and expenses in connection with the foregoing. The 2022 Bridge Loan Facility Agreement was an unsecured obligation of the Issuer and was fully guaranteed by Alcon.

Borrowings under the 2022 Bridge Loan Facility bore interest at a rate equal to the aggregate of (i) the secured overnight financing rate as administered by the Federal Reserve Bank of New York, compounded daily in arrears, plus a credit adjustment spread (subject to a zero floor on such aggregate daily rate) and (ii) a margin that steps up from 0.30% to 1.40% based on the length of time elapsed since the completion of the Aerie acquisition.

On November 21, 2022, in connection with the consummation of the Aerie acquisition, \$775 million of the financing commitments of the lenders under the 2022 Bridge Loan Facility were drawn, the proceeds of which were used to finance the equity portion of the consideration payable for the Aerie acquisition. On December 6, 2022, the 2022 Bridge Loan Facility was repaid in full with the proceeds of the 2022 Notes described below. None of the 2022 Bridge Loan Facility remains available to us for borrowings.

2022 US Bond Offering

On December 6, 2022, the Issuer completed an offering of the 2022 Notes. The 2022 Notes were issued under the Indenture. The 2022 Notes are senior unsecured obligations of the Issuer and are fully and unconditionally guaranteed on a senior basis by Alcon.

Interest is payable on the 2022 Notes on June 6 and December 6 of each year, beginning on June 6, 2023. The Series 2032 Notes will mature on December 6, 2032 and the Series 2052 Notes will mature on December 6, 2052.

The Issuer may redeem the Series 2032 Notes prior to September 6, 2032 (the date that is three months prior to their maturity date) and the Series 2052 Notes prior to June 6, 2052 (the date that is six months prior to their maturity date) at a redemption price equal to 100% of the principal amount of the applicable series of the 2022 Notes plus a "make-whole premium" and accrued and unpaid interest, if any, up to, but excluding the redemption date. The Issuer may also redeem the Series 2032 Notes on or after the date that is three months prior to their maturity date and the Series 2052 Notes on or after the date that is six months prior to their maturity date at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest, if any, up to, but excluding the redemption date.

In addition, under certain circumstances, the Issuer may redeem any series of the 2022 Notes at its option, in whole, but not in part, for cash, at any time prior to their respective maturities at a price equal to 100% of the outstanding principal amount of such 2022 Notes, plus accrued and unpaid interest, up to, but excluding the redemption date.

Subject to certain limitations, in the event of a change of control triggering event, the Issuer will be required to make an offer to purchase each series of the 2022 Notes at a price equal to 101% of the principal amount of the 2022 Notes, plus accrued and unpaid interest, if any, up to, but excluding the date of repurchase.

The Indenture also contains certain limitations on the Issuer's ability to incur liens, as well as customary events of default.

Acquisition Agreements

On November 5, 2021, Alcon exercised its option to purchase Ivantis, Inc. pursuant to an Option Agreement and Plan of Merger by and among Alcon Research, LLC, Ithaca Merger Sub, Inc., and Ivantis, Inc., dated as of November 9, 2018 (as subsequently amended, the "Ivantis Merger Agreement"). Pursuant to the Ivantis Merger Agreement, Alcon agreed to pay total upfront consideration of \$475 million and potential contingent payments upon the achievement of certain regulatory and commercial milestones. As a result of the merger, which closed on January 7, 2022, Ivantis, Inc. became a wholly-owned subsidiary of Alcon. The transaction expanded Alcon's Surgical portfolio to include the *Hydrus* microstent, a minimally-invasive glaucoma surgery (MIGS) device for the treatment of mild-to-moderate glaucoma.

On August 22, 2022, Alcon executed an Agreement and Plan of Merger (the "Aerie Merger Agreement") with Aerie Pharmaceuticals, Inc. ("Aerie"). Pursuant to the terms of the Aerie Merger Agreement, Alcon agreed to pay \$15.25 per share to acquire all outstanding shares of Aerie's common stock. The total purchase consideration amounted to \$744 million and total cash paid for the net identifiable assets recognized, net of cash acquired, was \$666 million. Alcon also assumed debt of \$316 million. This transaction was accounted for as a business combination that resulted in goodwill of \$65 million. As a result of the merger, which closed on November 21, 2022, Aerie became a wholly-owned subsidiary of Alcon. This transaction helps bolster Alcon's presence in the ocular health space with its portfolio of commercial products and development pipeline within the Vision Care reportable segment.

10.D. EXCHANGE CONTROLS

There are no Swiss governmental laws, decrees or regulations that restrict, in a manner material to Alcon, the export or import of capital, including any foreign exchange controls, or that generally affect the remittance of dividends or other payments to non-residents or non-citizens of Switzerland who hold Alcon shares.

10.E. TAXATION

The taxation discussion set forth below is intended only as a general summary and does not purport to be a complete analysis or listing of all potential tax considerations relevant to the ownership or disposition of our shares. The statements of US and Swiss tax laws set forth below are based on the laws and regulations in force as of the date of this Annual Report, including the current Convention Between the United States and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income, entered into force on December 19, 1997 (the "Treaty"), and the US Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, rulings, judicial decisions and administrative pronouncements, all as in effect on the date hereof, and all of which are subject to change (possibly with retroactive effect) and to differing interpretations.

Swiss Taxation

The following is a general summary of certain tax consequences relating to owning and disposing of Alcon shares based on the Swiss tax laws and regulations and regulatory practices in force on the date of this Annual Report. Tax consequences are subject to changes in applicable law (or subject to changes in interpretation), including changes that could have a retroactive effect.

This is not a complete summary of the potential Swiss tax effects relevant to the Alcon shares nor does the summary take into account or discuss the tax laws of any jurisdiction other than Switzerland. For example, this summary does not address estate, gift, inheritance, capital or wealth taxes. It also does not take into account investors' individual circumstances. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to any particular investor.

YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR WITH RESPECT TO ACQUIRING, OWNING AND DISPOSING OF ALCON SHARES.

Swiss Residents

Withholding Tax on Dividends

Dividends that we pay and any similar cash or in-kind distributions we may make to a holder of our shares (including distributions of liquidation proceeds in excess of the nominal value, stock dividends and, under certain circumstances, proceeds from repurchases of shares by us in excess of the nominal value) are generally subject to a Swiss federal withholding tax (the "Withholding Tax") at a current rate of 35%. Under certain circumstances distributions out of capital contribution reserves made by shareholders after December 31, 1996 are exempt from the Withholding Tax. We are required to withhold this Withholding Tax from the gross distribution and to pay the Withholding Tax to the Swiss Federal Tax Administration. The Withholding Tax is refundable in full to Swiss residents who are the beneficial owners of the taxable distribution at the time it is resolved and duly report the gross distribution received on their personal tax return or in their financial statements for tax purposes, as the case may be.

Swiss Transfer Stamp Duty upon Transfer of Securities

The sale of our shares, whether by Swiss residents or Non-resident Holders, may be subject to federal securities Transfer Stamp Duty (*Umsatzabgabe*) of 0.15%, calculated on the gross sale proceeds, if the sale occurs through or with a Swiss bank or other Swiss securities dealer (*Effektenhändler*), as defined in the Swiss Federal Stamp Duty Act. The Transfer Stamp Duty has to be paid by the securities dealer and may be charged to the parties in a taxable transaction who are not securities dealers. In addition to this Transfer Stamp Duty, the sale of shares by or through a member of the SIX may be subject to a minor stock exchange levy.

Income Tax on Dividends

A Swiss Holder who holds Alcon shares as private assets ("Swiss Resident Private Shareholder") is required to report the receipt of dividends and similar distributions (including stock dividends and liquidation surplus) in its individual income tax returns and is subject to Swiss federal, cantonal and communal income tax on any net taxable income for the relevant tax period.

A Swiss Holder who is Swiss resident for tax purposes, a non-Swiss individual who is subject to Swiss income tax for reasons other than residency and a legal entity tax resident in Switzerland, in each case that holds Alcon shares as business assets, and a non-Swiss tax resident legal entity that holds Alcon shares as part of a Swiss permanent establishment or fixed place of business (each, a "Swiss Resident Commercial Shareholder") is required to recognize dividends and similar distributions (including stock dividends and liquidation surplus) on Alcon shares in its income statement for the relevant taxation period and is subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings for such taxation period. The same tax treatment also applies to a Swiss Holder who, for income tax purposes, is classified as a "professional securities dealer" for reasons of, *inter alia*, frequent dealing, or leveraged investments, in shares and other securities. Swiss Resident Commercial Shareholders who are corporate taxpayers may be eligible for a participation deduction (*Beteiligungsabzug*) in respect of dividends if the Alcon shares held by them as part of a Swiss business have an aggregate market value of at least CHF 1 million.

Taxes upon Disposition of Alcon Shares

Capital gains realized on the sale or other disposal of Alcon shares held by a Swiss Resident Private Shareholder are generally not subject to any federal, cantonal or communal income taxation. However, gain realized upon a repurchase of shares by us may be characterized as taxable dividend income if certain conditions are met. Capital gains realized on shares held by a Swiss Resident Commercial Shareholder are, in general, included in the taxable income of such person.

Residents of Other Countries

Recipients of dividends and similar distributions on our shares who are neither residents of Switzerland for tax purposes nor holding shares as part of a business conducted through a permanent establishment situated in Switzerland ("Non-resident Holders") are not subject to Swiss income taxes in respect of such distributions. Moreover, gain realized by such recipients upon the disposal of our shares is not subject to Swiss income tax.

Non-resident Holders of our shares are, however, subject to the Withholding Tax on dividends and similar distributions mentioned above and under certain circumstances to the Transfer Stamp Duty described above. Such Non-resident Holders may be entitled to a partial refund of the Withholding Tax if the country in which they reside has entered into a bilateral treaty for the avoidance of double taxation with Switzerland. Non-resident Holders should be aware that the procedures for claiming treaty refunds (and the time frame required for obtaining a refund) may differ from country to country. Non-resident Holders should consult their own tax advisors regarding the receipt, ownership, purchase, sale or other dispositions of our shares and the procedures for claiming a refund of the Withholding Tax.

A Non-resident Holder of our shares will not be liable for any Swiss taxes other than the Withholding Tax described above and, if the transfer occurs through or with a Swiss bank or other Swiss securities dealer, the Transfer Stamp Duty described above. If, however, the shares of Non-resident Holders can be attributed to a permanent establishment or a fixed place of business maintained by such person within Switzerland during the relevant tax year, the shares may be subject to Swiss income taxes in respect of income and gains realized on the shares and such person may qualify for a full refund of the Withholding Tax based on Swiss tax law.

Residents of the United States

Non-resident Holders who are residents of the United States for purposes of the Treaty are eligible for a reduced rate of tax on dividends equal to 15% of the dividend, provided that such holders qualify for benefits under the Treaty and do not conduct business through a permanent establishment or fixed base in Switzerland to which our shares are attributable. Such holders should consult their own tax advisors regarding their eligibility to claim the reduced rate and the procedures for claiming a refund of the amount of the Withholding Tax in excess of the 15% Treaty rate.

International Automatic Exchange of Information in Tax Matters

On November 19, 2014, Switzerland signed the Multilateral Competent Authority Agreement, which is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of automatic exchange of information (the "AEOI"). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the "AEOI Act") entered into force on January 1, 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have been, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of specialty (i.e. the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection. The United States is not a treaty state.

Based on such multilateral agreements and bilateral agreements and the implementing laws of Switzerland, Switzerland has begun to collect data in respect of financial assets (including shares) held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU member state or in a treaty state.

US Federal Income Taxation

The following discussion is a summary of the US federal income tax considerations generally applicable to the ownership and disposition of our shares. This summary is based on the Code, its legislative history, US Treasury Regulations, administrative guidance, published court decisions and the Treaty, all in effect as of the date hereof, and any of which may be repealed, revoked, or modified (possibly with retroactive effect) so as to result in US federal income tax consequences different from those discussed below. This summary is applicable to US Holders (as defined below) who are residents of the United States for purposes of the Treaty and who qualify for the full benefits of the Treaty. It applies only to US Holders that hold our shares as capital assets (generally, property held for investment purposes). This summary should not be construed to constitute legal or tax advice to any particular US Holder.

This summary does not apply to or address US Holders subject to special rules, including, without limitation, brokers, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, tax-exempt entities (including private foundations), insurance companies, banks, thrifts and other financial institutions, persons liable for alternative minimum tax, persons that hold an interest in an entity that holds our shares, persons that will own, or will have owned, directly, indirectly or constructively 10% or more (by vote or value) of our stock, persons that hold our shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for US federal income tax purposes or persons whose functional currency is not the US dollar.

*This summary does not purport to be a complete analysis of all of the potential US federal income tax considerations that may be relevant to US Holders in light of their particular circumstances. Further, it does not address any aspect of foreign, state, local or estate or gift taxation or the 3.8% Medicare tax imposed on certain net investment income. **Each US Holder is urged to consult its tax advisor regarding the application of US federal taxation to its particular circumstances and the, state, local, non-US and other tax considerations of the ownership and disposition of our shares.***

General

For purposes of this discussion, a "US Holder" is a beneficial owner of our shares that is, for US federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity or arrangement treated as a corporation for US federal income tax purposes) created in or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is includable in gross income for US federal income tax purposes regardless of its source; or
- a trust (A) the administration of which is subject to the primary supervision of a US court and which has one or more US persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a US person under the Code.

If a partnership (or other entity or arrangement treated as a partnership for US federal income tax purposes) is a beneficial owner of our shares, the tax treatment of a partner in the partnership that will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our shares and partners in such partnerships are urged to consult their tax advisors as to the particular US federal income tax consequences of an investment in our shares.

Distributions on the Shares

Subject to the passive foreign investment company ("PFIC") rules discussed below, the gross amount of any distribution received by a US Holder with respect to our shares (including any amounts withheld to pay Swiss withholding taxes) generally will be included in the gross income of the US Holder as a dividend to the extent attributable to the Company's current or accumulated earnings and profits, as determined under US federal income tax principles. The Company may not calculate its earnings and profits under US federal income tax rules. Accordingly, US Holders should expect that a distribution generally will be treated as a dividend for US federal income tax purposes. Unless the Company is treated as a PFIC for the taxable year in which it pays a distribution or in the preceding taxable year (see "Passive foreign investment company rules" below), the Company believes that it may qualify as a "qualified foreign corporation," in which case distributions treated as dividends and received by non-corporate US Holders may be eligible for a preferential tax rate.

Distributions on our shares generally will not be eligible for the dividends received deduction available to US Holders that are corporations.

The amount of any dividend paid in Swiss francs (including any amounts withheld to pay Swiss withholding taxes) will be included in the gross income of a US Holder in an amount equal to the US dollar value of the Swiss francs calculated by reference to the exchange rate in effect on the date the dividend is actually or constructively received by the US Holder, regardless of whether the Swiss francs are converted into US dollars on such date. A US Holder will have a tax basis in the Swiss francs equal to their US dollar value on the date of receipt. If the Swiss francs received are converted into US dollars on the date of receipt, the US Holder generally should not be required to recognize foreign currency gain or loss in respect of the distribution. If the Swiss francs received are not converted into US dollars on the date of receipt, a US Holder may recognize foreign currency gain or loss on a subsequent conversion or other disposition of the Swiss francs. Such gain or loss generally will be treated as US source ordinary income or loss.

A US Holder may be entitled to deduct or credit Swiss withholding tax imposed on dividends paid to a US Holder, subject to applicable limitations in the Code. The rules governing the foreign tax credit are complex. US Holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale, Exchange or Other Taxable Disposition of Our Shares

Subject to the PFIC rules discussed below, a US Holder generally will recognize a capital gain or loss on the sale, exchange or other taxable disposition of our shares in an amount equal to the difference between the amount realized for the shares and the US Holder's adjusted tax basis in the shares. Any capital gain or loss will be long-term capital gain or loss if the ordinary shares have been held for more than one year. Individuals and other non-corporate US Holders who have long-term capital gains will generally be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any capital gain or loss recognized by a US Holder generally will be treated as US source gain or loss for US foreign tax credit purposes.

Passive Foreign Investment Company Rules

A foreign corporation will be considered a PFIC for any taxable year in which (i) 75% or more of its gross income is "passive income" or (ii) 50% or more of the average quarterly value of its assets produce (or are held for the production of) "passive income." For this purpose, "passive income" generally includes interest, dividends, rents, royalties and certain gains. We currently do not believe that we were a PFIC in the taxable year ending December 31, 2022, nor do we anticipate that we will be a PFIC in subsequent taxable years. However, the determination of PFIC status is based on an annual determination that cannot be made until the close of the taxable year, involves extensive factual investigation, including ascertaining the fair market value of all of our assets on a quarterly basis and the character of each item of income that we earn, and is subject to uncertainty in several respects. Accordingly, we cannot assure you that we will not be treated as a PFIC for the taxable year ending December 31, 2022, or any subsequent taxable year, or that the IRS will not take a contrary position.

Required Disclosure with Respect to Foreign Financial Assets

Certain US Holders are required to report information relating to their holding an interest in our shares, subject to certain exceptions (including an exception for shares held in accounts maintained by certain financial institutions), by attaching a completed IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in the shares. US Holders are urged to consult their tax advisors regarding information reporting requirements relating to their ownership of our shares.

10.F. DIVIDENDS AND PAYING AGENTS

Not Applicable.

10.G. STATEMENTS BY EXPERTS

Not Applicable.

10.H. DOCUMENTS ON DISPLAY

We maintain a website at the following address: wwwalcon.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 17 to the Consolidated Financial Statements and related notes included elsewhere in this Annual Report.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

12.A. DEBT SECURITIES

Not Applicable.

12.B. WARRANTS AND RIGHTS

Not Applicable.

12.C. OTHER SECURITIES

Not Applicable.

12.D. AMERICAN DEPOSITORY SHARES

Not Applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of December 31, 2022, the end of the period covered by this Annual Report, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2022, the end of the period covered by this Annual Report, we maintained effective disclosure controls and procedures.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of internal control over financial reporting using the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2022.

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, audited the effectiveness of our internal control over financial reporting. PricewaterhouseCoopers LLP's attestation report on our internal control over financial reporting as of December 31, 2022 is included in Item 18 of this Annual Report.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the fiscal year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board has determined that Lynn D. Bleil, Scott Maw, Karen May and Dieter Spälti, each of whom serves on our Audit and Risk Committee ("ARC"), are independent for purposes of serving on the audit committee under Rule 10A-3 and the listing standards promulgated by the New York Stock Exchange and are audit committee financial experts.

ITEM 16B. CODE OF ETHICS

Our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer are bound to adhere to our Code of Business Conduct, which applies to all of our associates and members of our Board. Our Code of Business Conduct is available on our website at wwwalconcom/about-us/responsible-business-practice.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information set forth under "Item 6. Directors, Senior Management and Employees—6.C. Board Practices—Corporate Governance—Auditors—Auditing Fees and Additional Fees" is incorporated by reference.

Policy on Audit and Risk Committee Pre-Approval of Services of Principal Accountant

The Audit and Risk Committee has established a written policy to pre-approve, on an annual basis, all anticipated audit and non-audit services provided by our independent auditors ("Pre-Approval Policy"). These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to 12 months from the date of pre-approval, and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget.

The Pre-Approval Policy provides that the independent auditors may not perform any services for Alcon unless the independent auditors are engaged pursuant to the Pre-Approval Policy. In addition, the Pre-Approval Policy prohibits the Audit and Risk Committee from pre-approving certain non-audit services that are prohibited from being performed by the independent auditors by applicable securities laws. Management is required to periodically report to the Audit and Risk Committee regarding the extent of services provided by the independent auditors. In 2022, all audit-related, tax and other services provided by PwC Switzerland, PwC US and any other firm of PricewaterhouseCoopers International Limited were pre-approved.

In connection with its review and evaluation of non-audit services, the Audit and Risk Committee is required to and does consider and conclude that the provision of the non-audit services is compatible with maintaining the independence of the independent auditor.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not Applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Neither we nor any of our affiliated purchasers purchased any of our Ordinary Shares for the fiscal year ended December 31, 2022.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not Applicable.

ITEM 16G. CORPORATE GOVERNANCE

The information set forth under "Item 6. Directors, Senior Management and Employees—6.C. Board Practices—Corporate Governance—Differences from Corporate Governance Standards Relevant to US-listed Companies" is incorporated by reference.

ITEM 16H. MINE SAFETY DISCLOSURE

Not Applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

See response to "Item 18. Financial Statements."

ITEM 18. FINANCIAL STATEMENTS

Please refer to the financial statements beginning on page F-1 of this Annual Report.

ITEM 19. EXHIBITS

Exhibit Number	Description
1.1	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
1.2	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
2.1	Description of rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934
2.2	Indenture by and among Alcon Finance Corporation, as Company, Alcon Inc., as Guarantor, and Citibank, N.A., as Trustee, Paying Agent, Authenticating Agent and Registrar, dated September 23, 2019
2.3	Other than the indenture described in Exhibit 2.2, the total amount of long-term debt securities authorized under any instrument does not exceed 10% of the total assets of Alcon and its subsidiaries on a consolidated basis. We hereby agree to furnish to the SEC, upon its request, a copy of any instrument defining the rights of holders of long-term debt of Alcon or of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed.
4.11	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
4.12	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
4.13	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
4.14	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
4.15	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
4.16	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
4.17*	Option Agreement and Plan of Merger by and among Alcon Research, Ltd., Ithaca Merger Sub, Inc., and Ivantis, Inc., dated as of November 9, 2018 - incorporated by reference to Exhibit 4.17 to the Annual Report on Form 20-F (File No. 001-31269) filed with the Securities and Exchange Commission on February 15, 2022
4.18*	Amendment No. 1 to Option Agreement and Plan of Merger by and among Alcon Research, LLC, Ithaca Merger Sub, Inc., and Ivantis, Inc., dated as of December 16, 2019 - incorporated by reference to Exhibit 4.18 to the Annual Report on Form 20-F (File No. 001-31269) filed with the Securities and Exchange Commission on February 15, 2022
4.19#	Agreement and Plan of Merger by and among Aerie Pharmaceuticals, Inc., Alcon Research, LLC, and Lyon Merger Sub, Inc., dated as of August 22, 2022
8.1	For a list of all principal subsidiaries of Alcon Inc., see "Item 18. Financial Statements-Note 27. Alcon subsidiaries".
12.1	Certification of David J. Endicott, Chief Executive Officer of Alcon Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

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.INS	Inline XBRL Instance Document (embedded within Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation
101.DEF	Inline XBRL Taxonomy Extension Definition
101.LAB	Inline XBRL Taxonomy Extension Label
101.PRE	Inline XBRL Taxonomy Extension Presentation
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*Certain portions of this exhibit have been redacted pursuant to Instruction 4(a) as to Exhibits of Form 20-F. The Company agrees to furnish supplementally an unredacted copy of the exhibit to the SEC or its Staff upon request.

#Certain exhibits and schedules have been omitted pursuant to the instructions of Form 20-F.

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 27, 2023

CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC.

Audited Consolidated Financial Statements

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CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC.

Consolidated Income Statement

(For the years ended December 31, 2022, 2021 and 2020)

(\$ millions except earnings/(loss) per share)	Note	2022	2021	2020
Net sales to third parties	4	8,654	8,222	6,763
Other revenues	4	63	69	70
Net sales and other revenues		8,717	8,291	6,833
Cost of net sales		(3,910)	(3,577)	(3,830)
Cost of other revenues		(59)	(62)	(63)
Gross profit		4,748	4,652	2,940
Selling, general & administration		(3,068)	(3,076)	(2,694)
Research & development		(702)	(842)	(673)
Other income		36	43	235
Other expense		(342)	(197)	(290)
Operating income/(loss)		672	580	(482)
Interest expense	5	(134)	(120)	(124)
Other financial income & expense	5	(75)	(42)	(29)
Income/(loss) before taxes		463	418	(635)
Taxes	6	(128)	(42)	104
Net income/(loss)		335	376	(531)
Earnings/(loss) per share (\$)				
Basic	7	0.68	0.77	(1.09)
Diluted	7	0.68	0.76	(1.09)
Weighted average number of shares outstanding (millions)				
Basic	7	491.4	490.0	489.0
Diluted	7	494.4	493.4	489.0

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

CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

Consolidated Statement of Comprehensive Income/(Loss)

(For the years ended December 31, 2022, 2021 and 2020)

(\$ millions)	2022	2021	2020
Net income/(loss)	335	376	(531)
<i>Other comprehensive income to be eventually recycled into the Consolidated Income Statement:</i>			
Currency translation effects, net of taxes ⁽¹⁾	(36)	(58)	19
Total of items to eventually recycle	(36)	(58)	19
<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⁾	141	26	(14)
Fair value adjustments on equity securities, net of taxes ⁽³⁾	(1)	—	(7)
Total of items never to be recycled	140	26	(21)
Total comprehensive income/(loss)	439	344	(533)

(1) Amounts are net of tax expense of \$0.4 million in 2022 and net of tax benefit of \$6 million in 2021.

(2) Amounts are net of tax expense of \$40 million and \$11 million in 2022 and 2021, respectively, and net of tax benefit of \$13 million in 2020.

(3) Amounts are net of tax benefits of \$1 million and \$3 million in 2022 and 2020, respectively.

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

CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

Consolidated Balance Sheet

(At December 31, 2022 and 2021)

(\$ millions)	Note	2022	2021
Assets			
Non-current assets			
Property, plant & equipment	8	4,025	3,711
Right-of-use assets	15	391	372
Goodwill	9	8,970	8,905
Intangible assets other than goodwill	9	9,689	8,765
Deferred tax assets	10	411	409
Financial assets	11	287	217
Other non-current assets	11	243	234
Total non-current assets		24,016	22,613
Current assets			
Inventories	12	2,109	1,899
Trade receivables	13	1,673	1,496
Income tax receivables		13	9
Cash and cash equivalents	17	980	1,575
Other current assets	14	418	407
Total current assets		5,193	5,386
Total assets		29,209	27,999
Equity and liabilities			
Equity			
Share capital	7.1	20	20
Reserves		19,657	19,236
Total equity		19,677	19,256
Liabilities			
Non-current liabilities			
Financial debts	16	4,541	3,966
Lease liabilities	15	359	339
Deferred tax liabilities	10	1,064	1,026
Provisions & other non-current liabilities	18	786	940
Total non-current liabilities		6,750	6,271
Current liabilities			
Trade payables		861	903
Financial debts	16	107	114
Lease liabilities	15	71	67
Current income tax liabilities		219	187
Provisions & other current liabilities	19	1,524	1,201
Total current liabilities		2,782	2,472
Total liabilities		9,532	8,743
Total equity and liabilities		29,209	27,999

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, 2022, 2021 and 2020)

(\$ millions)	Share capital	Other reserves	Fair value adjustments on equity securities	Actuarial gains/(losses) from defined benefit plans	Cumulative currency translation effects	Total value adjustments ⁽¹⁾	Equity
Balance as of 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
Net income		335				—	335
Other comprehensive income/(loss)			(1)	141	(36)	104	104
Total comprehensive income	—	335	(1)	141	(36)	104	439
Dividends		(102)				—	(102)
Equity-based compensation		68				—	68
Other movements ⁽²⁾		16				—	16
Total other movements	—	(18)	—	—	—	—	(18)
Balance as of December 31, 2022	20	19,673	(33)	67	(50)	(16)	19,677

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

(2) Activity includes hyperinflationary accounting (see Note 2 to the Consolidated Financial Statements). The prior year primarily includes an adjustment to actuarial gains to recognize plan assets related to the separation of a pension plan in the spin-off from Novartis but which were not previously recorded. The year ended December 31, 2020 includes an adjustment to actuarial (losses) for other post-employment benefit obligation assumption changes directly related to the spin-off on April 9, 2019 but which was not recorded at that time.

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

CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

Consolidated Statement of Cash Flows

(For the years ended December 31, 2022, 2021 and 2020)

(\$ millions)	Note	2022	2021	2020
Net income/(loss)		335	376	(531)
<i>Adjustments to reconcile net income/(loss) to net cash flows from operating activities</i>				
Depreciation, amortization, impairments and fair value adjustments	20.1	1,111	1,220	1,626
Equity-based compensation expense		140	138	105
Non-cash change in current and non-current provisions and other non-current liabilities		187	57	(106)
Losses on disposal and other adjustments on property, plant & equipment and other non-current assets, net		10	13	42
Interest expense		134	120	124
Other financial income & expense		75	42	29
Taxes		128	42	(104)
Interest received		14	3	5
Interest paid		(111)	(108)	(105)
Other financial payments		(7)	(7)	(5)
Taxes paid		(178)	(175)	(97)
Net cash flows before working capital changes and net payments out of provisions and other non-current liabilities		1,838	1,721	983
Net payments out of provisions and other cash movements in non-current liabilities		(99)	(62)	(115)
Change in net current assets and other operating cash flow items	20.2	(522)	(314)	(45)
Net cash flows from operating activities		1,217	1,345	823
Purchase of property, plant & equipment		(636)	(700)	(479)
Proceeds from sale of property, plant & equipment		—	—	6
Purchase of intangible assets		(109)	(480)	(88)
Purchase of financial assets		(50)	(19)	(11)
Proceeds from financial assets		2	1	—
Proceeds from sale of short-term investments	21.1	79	—	—
Acquisitions of assets, net of cash acquired	21.2	(485)	—	—
Acquisition of business, net of cash acquired	21.1	(666)	—	—
Net cash flows used in investing activities		(1,865)	(1,198)	(572)
Dividends paid to shareholders of Alcon Inc.	7.2	(100)	(54)	—
Proceeds from non-current financial debts, net of issuance costs	20.3	1,815	52	744
Proceeds from 2022 Bridge Loan Facility, net of issuance costs	20.3	771	—	—
Repayment of non-current financial debts	20.3	(1,176)	—	—
Repayment of 2022 Bridge Loan Facility	20.3	(775)	—	—
Repayment of financial debts assumed in acquisition of business	20.3	(316)	—	—
Change in current financial debts	20.3	(42)	(43)	(139)
Lease payments	20.3	(69)	(72)	(69)
Payment of withholding taxes related to equity-based compensation		(50)	(22)	(16)
Other financing cash flows		(66)	16	(54)
Net cash flows (used in)/from financing activities		(8)	(123)	466
Effect of exchange rate changes on cash and cash equivalents		61	(6)	18
Net change in cash and cash equivalents		(595)	18	735
Cash and cash equivalents at January 1		1,575	1,557	822
Cash and cash equivalents at December 31		980	1,575	1,557

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC.

1. Description of business

Alcon Inc. (the "Company") and the subsidiaries it controls (collectively "Alcon") is a leading eye care company. Alcon is a multinational company specializing in the research, development, manufacturing and marketing of a broad range of eye care products within two businesses: Surgical and Vision Care. Alcon is a stock corporation organized under the laws of Switzerland, domiciled in Fribourg, Switzerland, with global headquarters located in Geneva, Switzerland. The shares of the Company are listed on the SIX Swiss Stock Exchange ("SIX") and on the New York Stock Exchange ("NYSE") under the symbol "ALC".

The Consolidated Financial Statements of Alcon are comprised of the Consolidated Balance Sheet as of December 31, 2022 and 2021 and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income/(Loss), Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for each of the years ended December 31, 2022, 2021 and 2020.

The country of operation and percentage ownership of the legal entities with "Total assets" or "Net sales to third parties" in excess of \$5 million included in the Consolidated Financial Statements are disclosed in Note 27.

2. Selected accounting policies

Basis of preparation

The accompanying Consolidated Financial Statements present our historical financial position, results of operations, comprehensive income/(loss), and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Alcon's principal accounting policies are described in this Note.

Principles of consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. In the event that the Company has an interest in another entity that is not wholly owned, the assets, liabilities, results of operations and cash flows of such entity are included in the Company's Consolidated Financial Statements, if the Company is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Consolidated Financial Statements of the Company are prepared in accordance with IFRS as issued by the IASB. They are prepared in accordance with the historical cost convention except for items that are required to be accounted for at fair value. All intercompany transactions and accounts within Alcon were eliminated.

The Company's financial year-end is December 31, which is also the annual closing date of the individual entities' financial statements incorporated into the Consolidated Financial Statements.

Use of estimates and assumptions

The preparation of Consolidated Financial Statements requires management to make certain estimates and assumptions, either at the balance sheet date or during the year that affect the reported amounts of assets and liabilities as well as revenues and expenses. Alcon has analyzed the impact of the war on Ukraine, economic sanctions and export controls on Russia and the COVID-19 pandemic on the Consolidated Financial Statements for the years ended December 31, 2022, 2021 and 2020. Alcon has assessed various accounting estimates and other matters, including those that require consideration of forecasted financial information, in the context of the unknown future impacts of these and other events using information reasonably available to us at this time. The accounting estimates and other matters assessed included, but were not limited to, provisions for expected credit losses, goodwill and other intangible assets, financial instruments, inventory provisions, associate benefits, income taxes and revenue recognition. Based on the assessment performed, the resulting provisions recorded were not material to the Consolidated Financial Statements. However, because of the inherent uncertainties of the continuation of the war on Ukraine, COVID-19 or other items, actual outcomes and results may differ materially from management's current assumptions and estimates.

Foreign currencies

The Consolidated Financial Statements are presented in US dollars ("USD"). The functional currency of individual entities incorporated into the Consolidated Financial Statements is generally the local currency of the respective entity. The functional currency used for the reporting of certain Swiss entities is USD instead of their respective local currencies. This reflects the fact that the cash flows and transactions of these entities are primarily denominated in these currencies.

For entities not operating in hyperinflationary economies, the entities results, financial position and cash flows that do not have USD as their functional currency are translated into USD using the following exchange rates:

- Income, expense and cash flows using for each month the average exchange rate with the USD values for each month being aggregated during the year.
- Balance sheet using year-end exchange rates.
- Resulting exchange rate differences are recognized in other comprehensive income/(loss).

The hyperinflationary economies in which Alcon operates are Argentina, Turkey and Venezuela. Argentina and Venezuela were hyperinflationary for all years presented. Turkey became hyperinflationary effective April 1, 2022, requiring retroactive implementation from January 1, 2022 of hyperinflationary accounting.

The impact of the restatement of the non-monetary assets and liabilities with the general price index at the beginning of the period an economy becomes hyperinflationary is recorded in "Other reserves" in equity. The subsequent gains or losses resulting from the restatement of non-monetary assets and liabilities are recorded in "Other financial income & expense" in the Consolidated Income Statement.

Acquisition of assets

Assets separately acquired are initially recognized on the balance sheet at cost if they meet the criteria for capitalization. The capitalized cost of the asset includes the purchase price and any directly attributable costs for bringing the asset into the condition to operate as intended. Expected costs for obligations to dismantle and remove property, plant and equipment when it is no longer used are included in their cost.

Property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Freehold land is not depreciated. The related depreciation expense is included in the costs of the functions using the asset or "Cost of net sales" in the Consolidated Income Statement.

Property, plant and equipment are assessed for impairment at the cash generating unit ("CGU") level whenever there is an indication that the balance sheet carrying amount may not be recoverable using cash flow projections for the useful life.

The following table shows the respective useful lives for property, plant and equipment:

	Useful life
Buildings and improvements	10 to 40 years
Machinery and other equipment	
Machinery and equipment	5 to 20 years
Furniture and vehicles	5 to 10 years
Computer hardware	3 to 7 years

Business combinations

Effective January 1, 2020, Alcon adopted Amendments to IFRS 3, *Business Combinations*. The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary may include:

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

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

Acquisition related costs are expensed as incurred.

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

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

Goodwill and intangible assets

The annual impairment testing date is Alcon's financial year-end, December 31.

Goodwill

Goodwill arises in a business combination and is the excess of the consideration transferred to acquire a business over the underlying fair value of the net identified assets acquired. It is allocated to groups of CGUs which are usually represented by the reportable segments, which are the same as Alcon's operating segments. Goodwill is tested for impairment annually at the level of these groups of CGUs, and any impairment charges are recorded under "Other expense" in the Consolidated Income Statement.

Intangible assets available for use

Alcon has the following classes of available-for-use intangible assets: Currently marketed products, Marketing know-how, Technologies, Other intangible assets (including computer software) and the Alcon brand name.

Currently marketed products represent the composite value of acquired intellectual property, patents, and distribution rights and product trade names.

Marketing know-how represents the value attributable to the expertise acquired for marketing and distributing Alcon surgical products.

Technologies represent identified and separable acquired know-how used in the research, development and production processes.

Significant investments in internally developed and acquired software are capitalized and included in the "Other" category and amortized once available for use.

The Alcon brand name is shown separately as it is the only Alcon intangible asset that is available for use with an indefinite useful life. Alcon considers it appropriate that the brand name has an indefinite life since the branded products have a history of strong revenue and cash flow performance, and Alcon has the intent and ability to support the brand with spending to maintain its value for the foreseeable future.

Except for the Alcon brand name, intangible assets available for use are amortized over their estimated useful lives on a straight-line basis and evaluated for potential impairment whenever facts and circumstances indicate that their carrying value may not be recoverable. The Alcon brand name is not amortized, but evaluated for potential impairment annually.

The following table shows the respective useful lives for available-for-use intangible assets and the location in the Consolidated Income Statement in which the respective amortization and any potential impairment charge is recognized:

	Useful life	Income statement location for amortization and impairment charges
Currently marketed products	5 to 20 years	"Cost of net sales"
Marketing know-how	25 years	"Cost of net sales"
Technologies	10 to 20 years	"Cost of net sales" or "Research and Development"
Other (including software)	3 to 10 years	In the respective functional expense
Alcon brand name	Not amortized, indefinite useful life	"Other expense"

Acquired In-Process Research & Development ("IPR&D")

Acquired research and development intangible assets, which are still under development and have accordingly not yet obtained marketing approval, are recognized as IPR&D.

IPR&D is not amortized, but evaluated for potential impairment on an annual basis or when facts and circumstances warrant. IPR&D is considered impaired when its balance sheet carrying amount exceeds its estimated recoverable amount, which is defined as the higher of its fair value less costs of disposal ("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. Other short-term and highly liquid investments are classified as cash and cash equivalents when original or weighted-average maturities are three months or less and amounts are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. Bank overdrafts are usually presented within current financial debts on the Consolidated Balance Sheet except in cases where a right of offset has been agreed with a bank which then allows for presentation on a net basis.

Financial assets

Non-current financial assets such as loans and long-term receivables from customers, primarily related to surgical equipment sales arrangements, advances and other deposits, are carried at amortized cost, which reflects the time value of money, less any allowances for uncollectable amounts.

Alcon assesses on a forward-looking basis the expected credit losses associated with its non-current financial assets valued at amortized cost.

For loans, advances and other deposits valued at amortized cost, impairments, which are based on their expected credit losses, and exchange rate losses are included in "Other expense" in the Consolidated Income Statement and exchange rate gains and interest income, using the effective interest rate method, are included in "Other income" in the Consolidated Income Statement.

For long-term receivables from customers, provisions for uncollectable amounts, which are based on their expected credit losses, are recorded as marketing and selling costs recognized in the Consolidated Income Statement within "Selling, general & administration" expenses.

Fund investments are valued at fair value through profit and loss ("FVPL"). Unrealized gains and losses, including exchange gains and losses, are recognized in the Consolidated Income Statement in "Other income" for gains and "Other expense" for losses.

Equity securities and convertible notes receivable held as strategic investments are generally designated at the date of acquisition as financial assets valued at fair value through other comprehensive income ("FVOCI") with no subsequent recycling through profit and loss. Unrealized gains and losses, including exchange gains and losses, are recorded as a fair value adjustment in the Consolidated Statement of Comprehensive Income/(Loss). They are reclassified to "Other reserves" when the equity security is sold. If these equity securities and convertible notes receivable are not designated at the date of acquisition as financial assets valued at FVOCI, they are valued at FVPL, as described above for fund

investments. Changes in fair value of options to acquire development stage companies are charged to research and development expense.

Derivative financial instruments are initially recognized in the Consolidated Balance Sheet at fair value and are remeasured to their current fair value at the end of each subsequent reporting period. The valuation of forward exchange rate contracts and foreign exchange swaps are based on the discounted cash flow model, using interest curves and spot rates at the reporting date as observable inputs. Unsettled forward contracts and swaps are measured at fair value at quarter-end with changes in fair value recorded to the Consolidated Income Statement as unrealized gains or losses in "Other financial income & expense". Settled forward contracts and swaps are measured at maturity date at fair value with corresponding realized gains or losses recognized in the Consolidated Income Statement in "Other financial income & expense". No hedge accounting is applied for these arrangements.

Inventories

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

Trade receivables

Trade receivables are initially recognized at their invoiced amounts, including any related sales taxes less adjustments for estimated revenue deductions such as chargebacks and cash discounts.

Provisions for expected credit losses are established using an expected credit loss model ("ECL"). The provisions are based on a forward-looking ECL, which includes possible default events on the trade receivables over the entire holding period of the trade receivable. These provisions represent the difference between the trade receivable's carrying amount and the estimated net collectible amount. Charges for doubtful trade receivables are recorded as marketing and selling costs recognized in the Consolidated Income Statement within "Selling, general & administration" expenses.

Leases

As lessee, Alcon assesses whether a contract contains a lease at inception of a contract based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Alcon recognizes a right-of-use asset and a corresponding lease liability for all arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases for which Alcon has elected the recognition exemptions allowed under IFRS 16.

Right-of-use assets

Right-of-use assets are initially recognized at cost, which is comprised of the amount of the initial measurement of the corresponding lease liabilities, adjusted for any lease payments made at or prior to the commencement date of the lease, lease incentives received and initial direct costs incurred, as well as any expected costs for obligations to dismantle and remove right-of-use assets when they are no longer used.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are assessed for impairment whenever there is an indication that the balance sheet carrying amount may not be recoverable using cash flow projections for the useful life.

Lease liabilities

Lease liabilities are accounted for at amortized cost and are initially measured at the present value of future lease payments and are classified as current or non-current based on the due dates of the underlying principal payments. In determining the lease term, Alcon evaluates the renewal options and termination options reasonably certain to be exercised. Lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, the incremental borrowing rate Alcon would be expected to pay within the respective markets, on a borrowing with a similar term and security. Interest in the period is recorded within "Interest expense" in the Consolidated Income Statement.

Lease liabilities are remeasured for changes in estimated lease term, future lease payments arising from a change in an index or rate, amounts expected to be payable under a residual value guarantee, or in assessment of whether Alcon will exercise a purchase, extension or termination option. Changes to initial lease contract terms are assessed to determine their impact on the scope of lease, and any modifications increasing the scope of the lease are treated as new contracts.

under the initial measurement principles, while modifications that do not increase or that decrease the scope of the lease result in an adjustment to the right-of-use asset which is remeasured as of the date of the modification.

Principal payments made on lease liabilities and any initial direct costs paid are classified as financing cash outflows, while interest payments are classified as operating cash outflows.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the Consolidated Income Statement and are classified as cash flows from operating activities.

Legal liabilities

Alcon is subject to contingencies arising in the ordinary course of business such as patent litigation and other product-related litigation, commercial litigation, and governmental investigations and proceedings. Provisions are recorded where a reliable estimate can be made of the probable outcome of legal or other disputes.

Contingent consideration

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

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

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

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

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

Defined benefit pension plans and other post-employment benefits

The liability or asset recognized in the balance sheet in respect of defined benefit pension plans and other post-employment benefits is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating the terms of the related obligation. In countries where there is no sufficient market for such bonds, the market rates on government bonds are used.

The current service cost for such post-employment benefit plans is included in the personnel expenses of the various functions where the associates are employed. The net interest on the net defined benefit liability is recognized as "Other expense" or "Other income". The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. Past service cost is recognized as "Other expense" or "Other income" in the Consolidated Income Statement for the change in the present value of a defined benefit obligation for employee service in prior periods resulting from a plan amendment or a curtailment.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income/(loss).

Defined contribution plans

For defined contribution plans, Alcon contributes to publicly or privately administered plans. Alcon has no further payment obligations once the contributions have been paid. The contributions are included in the personnel expenses of the various functions where the associates are employed.

Financial debts

Financial debts are initially recognized at fair value, net of transaction costs incurred. Financial debts are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs and discounts) and the redemption amount is recognized in the Consolidated Income Statement over the period of the financial debts using the effective interest method. Fees paid on the establishment of credit facilities are recognized as transaction costs of the financial debt to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates, and is recognized in "Other financial income & expense" in the Consolidated Income Statement.

Financial debts are derecognized from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial debt that has been extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in "Other financial income & expense" in the Consolidated Income Statement.

Interest paid on financial debts is classified as operating activities in the Consolidated Statement of Cash Flows. Financial debts are classified as current liabilities unless Alcon has an unconditional right and intent to defer the settlement of the liability for at least twelve months after the reporting period.

Revenue

Net sales to third parties

Revenue on the sale of Alcon products and services, which is recorded as "Net sales to third parties" in the Consolidated Income Statement, is recognized when a contractual promise to a customer (i.e., a performance obligation) has been fulfilled by transferring control over the promised goods and services to the customer, substantially all of which is at the point in time of shipment to or receipt of the products by the customer or when the services are performed. If contracts contain customer acceptance provisions, revenue would be recognized upon the satisfaction of acceptance criteria. The amount of revenue to be recognized is based on the consideration Alcon expects to receive in exchange for its goods and services. If a contract contains more than one performance obligation, the consideration is allocated based on the relative standalone selling price of each performance obligation.

Surgical equipment may be sold together with other products and services under a single contract and may be structured as an outright cash sale, an installment sale, or lease. Surgical equipment installment sales and leases have a fixed payment amount which the customer may pay either in fixed intervals or as the customer purchases consumables and/or implantables. Revenues are recognized upon satisfaction of each of the performance obligations in the contract and the consideration is allocated based on the relative standalone selling price of each performance obligation.

- Surgical equipment revenue from outright cash sales and installment sales arrangements is recognized at the point in time when control is transferred to the customer. The current portion of long-term receivables from customers and long-term receivables from customers for installment sales arrangements are recorded in "Other current assets" (see "Current portion of long-term receivables from customers" in Note 14 of these Consolidated Financial Statements) and "Financial assets" (see "Long-term receivables from customers" in Note 11 of these Consolidated Financial Statements), respectively. Financing income for installment sales arrangements longer than twelve months is recognized over the term of the arrangement in "Other income". Alcon applies the practical expedient under IFRS 15 to installment sales arrangements that are twelve months or less in duration.
- In addition to cash and installment sales, revenue is recognized under finance and operating lease arrangements. Leases in which Alcon transfers substantially all the risks and rewards incidental to ownership to the customer are treated as finance lease arrangements. Revenue from finance lease arrangements is recognized at amounts equal to the fair value of the equipment, which approximates the present value of the minimum lease payments under the arrangements. As interest rates embedded in lease arrangements are approximately market rates, revenue under finance lease arrangements is comparable to revenue for outright sales. Finance income for arrangements longer than twelve months is deferred and subsequently recognized based on a pattern that approximates the

use of the effective interest method and recorded in "Other income". Operating lease revenue for equipment rentals is recognized on a straight-line basis over the lease term in "Net sales to third parties".

The consideration Alcon receives in exchange for its goods or services may be fixed or variable. Variable consideration is only recognized when it is highly probable that a significant reversal of cumulative sales will not occur. The most common elements of variable consideration are listed below:

- Rebates and discounts granted to government agencies, wholesalers, retail pharmacies, managed health-care organizations and other customers, estimated payments for Medicare Part D prescription drug program coverage gap (commonly called the "donut hole"), patient co-pay program coupon utilization, as well as chargebacks are provisioned and recorded as a deduction from revenue at the time the related revenues are recorded or when the incentives are offered. They are calculated on the basis of historical experience, regulations, the specific terms in the individual agreements, product pricing, channels and payors.
- Cash discounts are offered to customers to encourage prompt payment and are provisioned and recorded as revenue deductions at the time the related sales are recorded.
- Sales returns provisions are recognized and recorded as revenue deductions when there is historical experience of Alcon agreeing to customer returns and Alcon can reasonably estimate expected future returns. In doing so, the estimated rate of return is applied, determined based on historical experience of customer returns and considering any other relevant factors. This is applied to the amounts invoiced, also considering the amount of returned products to be destroyed versus products that can be placed back in inventory for resale. Where shipments are made on a re-sale or return basis, without sufficient historical experience for estimating sales returns, revenue is only recorded when there is evidence of consumption or when the right of return has expired.

Provisions for revenue deductions are adjusted to actual amounts as rebates, discounts, chargebacks, payment for Medicare Part D prescription drug program, patient co-pay program coupon utilization and returns are processed. The provision represents estimates of the related obligations, requiring the use of judgment when estimating the effect of these sales deductions.

Other revenues

"Other revenues" include revenue from contract manufacturing services which are recognized over time as the service obligations are completed and third party royalty income. Associated costs for contract manufacturing services are recognized in "Cost of other revenues".

Research & development

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

Payments made to third parties to in-license or acquire intellectual property rights and products, including initial upfront and subsequent milestone payments, are capitalized as intangible assets. If additional payments are made to the originator company to continue to perform R&D activities, an evaluation is made as to the nature of the payments. Such additional payments will be expensed if they are deemed to be compensation for subcontracted R&D services not resulting in an additional transfer of intellectual property rights to Alcon. Such additional payments will be capitalized if they are deemed to be compensation for the transfer to Alcon of additional intellectual property developed at the risk of the originator company. Subsequent internal R&D costs in relation to IPR&D and other assets are expensed until such time that technical feasibility can be proven, as demonstrated by the receipt of marketing approval for the related product from a regulatory authority in a major market.

Equity-based compensation

Each of the periods presented include expense related to incentive compensation provided to eligible Alcon associates in the form of equity-settled or equity-based awards including restricted stock units ("RSUs") and performance stock units ("PSUs").

Alcon expenses the fair values of RSUs and PSUs granted to associates as compensation over the related vesting periods within the various functions where the associates are employed. The fair values of the awards are determined on their grant dates and are adjusted to account for the specific provisions of each of the corresponding grant agreements.

Alcon RSUs do not entitle the recipients to dividends. As such, the fair value upon grant is based on the Alcon share price at the grant date adjusted for potential future dividends to be paid within the holding period. The fair value of these grants, after making adjustments for assumptions related to their forfeiture during the vesting period, is expensed on a straight-line basis over the respective vesting period.

PSUs are subject to certain performance criteria being achieved during the vesting period and require plan participants to provide services during the vesting period. PSUs granted under Alcon's plans are subject to performance criteria based on internal performance metrics. The expense is determined taking into account assumptions concerning performance during the period relative to targets and expected forfeitures due to plan participants not meeting their service conditions. These assumptions are periodically adjusted. Any change in estimates for past services is recorded immediately as an expense or income in the Consolidated Income Statement and amounts for future periods are expensed over the remaining vesting period. As a result, at the end of the vesting period, the total charge during the whole vesting period represents the amount that will finally vest. The number of equity instruments that finally vest is determined at the vesting date.

If a plan participant leaves Alcon for reasons other than retirement, disability or death, then unvested restricted shares, RSUs and PSUs are forfeited, unless determined otherwise by the provision of the plan rules or by the Compensation Committee of the Company's Board of Directors, for example, in connection with a reorganization.

Restructuring charges

Restructuring provisions are recognized for the direct expenditures arising from the restructuring, where the plans are sufficiently detailed and where appropriate communication to those affected has been made.

Charges to increase restructuring provisions are included in "Other expense" in the Consolidated Income Statement. Corresponding releases are recorded in "Other income" in the Consolidated Income Statement.

Taxes

Taxes on income are expensed in the same periods as the revenues and expenses to which they relate and include any interest and penalties incurred during the period. Deferred taxes are determined using the comprehensive liability method and are calculated on the temporary differences that arise between the tax basis of an asset or liability and its carrying value in the balance sheet prepared for purposes of these Consolidated Financial Statements, except for those temporary differences related to investments in subsidiaries where the timing of their reversal can be controlled and it is probable that the difference will not reverse in the foreseeable future. Since the retained earnings are reinvested, withholding or other taxes on eventual distribution of a subsidiary's retained earnings are only taken into account when a dividend has been planned.

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

Earnings/(loss) per share

Basic earnings/(loss) per share is based on the weighted average number of common shares outstanding. Diluted earnings/(loss) per share is based on the weighted average number of common shares outstanding and all dilutive potential common shares outstanding.

New standards and interpretations not yet adopted

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

3. Significant transactions

Significant transactions in 2022

Vision Care - Acquisition of Aerie Pharmaceuticals, Inc.

On November 21, 2022, Alcon acquired 100% of the outstanding shares and equity of Aerie Pharmaceuticals, Inc. ("Aerie"), a pharmaceutical company focused on the discovery, development, manufacturing and commercialization of first-in-class ophthalmic therapies. Pursuant to the terms of the Agreement and Plan of Merger, Alcon paid \$15.25 per share to acquire all outstanding shares of Aerie's common stock. The total purchase consideration amounted to \$744 million and total cash paid for the net identifiable assets recognized, net of cash acquired, was \$666 million. Alcon also assumed debt of \$316 million. This transaction was accounted for as a business combination that resulted in goodwill of \$65 million. Refer to Note 21.1 to these Consolidated Financial Statements for additional information regarding the acquisition. The total purchase consideration was funded with proceeds from a bridge loan facility agreement (the "2022 Bridge Loan Facility") on November 21, 2022. Refer to Note 16 to these Consolidated Financial Statements for additional information regarding the 2022 Bridge Loan Facility.

Series 2032 Notes and Series 2052 Notes issuance

On December 6, 2022, Alcon, through its wholly owned subsidiary Alcon Finance Corporation ("AFC"), completed a private offering of non-current financial debt consisting of \$700 million of 5.375% senior notes due 2032 and \$600 million of 5.750% senior notes due 2052. The funds borrowed through the issuance, together with cash, were used to repay the remaining \$640 million Facility B term loan and the \$775 million 2022 Bridge Loan Facility. Refer to Note 16 to these Consolidated Financial Statements for additional information.

Vision Care - Acquisition of *Eysuvis* and *Inveltys* products

On July 8, 2022, Alcon acquired two pharmaceutical ophthalmic eye drops, *Eysuvis* and *Inveltys*, from Kala Pharmaceuticals, Inc. The acquisition complements Alcon's existing portfolio in the large and fast-growing dry eye category. Pursuant to the terms of the Asset Purchase Agreement, Alcon paid total upfront consideration of \$60 million for *Eysuvis* and *Inveltys*, paid an additional amount to purchase certain related inventory and assumed certain liabilities of approximately \$14 million for a purchase consideration of \$79 million. In addition, Alcon agreed to potentially pay additional amounts upon achievement of certain commercial milestones if annual sales exceed defined targets that expire after 2029. The purchase consideration was allocated using the relative fair value approach primarily to currently marketed product intangible assets within the Vision Care reportable segment of \$71 million and assumed liabilities of \$14 million.

Series 2028 Notes issuance

On May 31, 2022, Alcon, through its wholly owned subsidiary Alcon Finance B.V. ("AFBV"), completed a public offering of \$537 million (EUR500 million) of non-current EUR denominated financial debt consisting of 2.375% senior notes due 2028. The funds borrowed through the issuance were used to repay the \$376 million (EUR350 million) Facility C term loan in full and partially repay \$160 million of the Facility B term loan. Refer to Note 16 to these Consolidated Financial Statements for additional information.

Surgical - Acquisition of Ivantis, Inc.

On January 7, 2022, Alcon acquired 100% of the outstanding shares and equity of Ivantis, Inc., a privately-held, US-based company and manufacturer of the *Hydrus* Microstent, a minimally-invasive glaucoma surgery ("MIGS") device designed to lower intraocular pressure for open-angle glaucoma patients, for total upfront consideration of \$479 million and additional amounts to be potentially paid upon achievement of development and commercial milestones. The acquisition expands Alcon's surgical portfolio and is expected to help provide a platform for more growth in the glaucoma space. Refer to Note 21.2 to these Consolidated Financial Statements for additional information regarding this transaction which was accounted for as an asset acquisition.

Significant transactions in 2021

Vision Care - Acquisition of *Simbrinza* US commercialization rights

On April 28, 2021, Alcon executed an Asset Purchase Agreement ("Agreement") to acquire exclusive US commercialization rights to a pharmaceutical ophthalmic eye drop, *Simbrinza* (brinzolamide/brimonidine tartrate ophthalmic suspension) 1%/0.2% from Novartis. Under the terms of the Agreement, Alcon paid \$355 million at closing on June 8, 2021 and recognized the intangible asset acquisition as currently marketed products within the Vision Care reportable segment. After closing, Alcon and Novartis immediately began a transition period during which Novartis sold *Simbrinza* on Alcon's behalf. The transition period concluded during the third quarter of 2021 and Alcon began to fully commercialize *Simbrinza* for the US market. Novartis retains all rights to *Simbrinza*® outside of the US.

Significant transactions in 2020

Series 2030 Notes issuance

On May 27, 2020, Alcon, through its wholly owned subsidiary AFC, completed an offering of \$750 million of non-current financial debt consisting of 2.600% senior notes due 2030. The senior notes are described in Note 16 of these Consolidated Financial Statements.

4. Segment information

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

The businesses of Alcon are divided operationally on a worldwide basis into two identified reportable segments, Surgical and Vision Care. Alcon's reportable segments are the same as its operating segments as Alcon does not aggregate any operating segments in arriving at its reportable segments. As indicated below, certain income and expenses are not allocated to segments.

Reportable segments are presented in a manner consistent with the internal reporting to the CODM. The reportable segments are managed separately due to their distinct needs and activities for research, development, manufacturing, distribution and commercial execution.

The Executive Committee of Alcon is responsible for allocating resources and assessing the performance of the reportable segments.

In Surgical, Alcon researches, develops, manufactures, distributes and sells ophthalmic products for cataract surgery, vitreoretinal surgery, refractive laser surgery and glaucoma surgery. The surgical portfolio also includes implantables, consumables and surgical equipment required for these procedures and supports the end-to-end procedure needs of the ophthalmic surgeon.

In Vision Care, Alcon researches, develops, manufactures, distributes and sells daily disposable, reusable, and color-enhancing contact lenses and a comprehensive portfolio of ocular health products, including products for dry eye, glaucoma, contact lens care and ocular allergies, as well as ocular vitamins and redness relievers.

Alcon also provides services, training, education and technical support for both the Surgical and Vision Care businesses.

The basis of preparation and the selected accounting policies mentioned in Note 2 of these Consolidated Financial Statements are used in the reporting of segment results.

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

General & administration (corporate) includes the costs of the Alcon corporate headquarters, including all related corporate function costs.

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

Net sales and other revenues by segment

(\$ millions)	2022	2021	2020
Surgical			
Implantables	1,725	1,522	1,126
Consumables	2,499	2,388	1,952
Equipment/other	821	793	632
Total Surgical net sales to third parties	5,045	4,703	3,710
Vision Care			
Contact lenses	2,192	2,139	1,838
Ocular health	1,417	1,380	1,215
Total Vision Care net sales to third parties	3,609	3,519	3,053
Total net sales to third parties	8,654	8,222	6,763
Vision Care other revenues	63	69	70
Total net sales and other revenues	8,717	8,291	6,833

Segment contribution and reconciliation to income/(loss) before taxes

(\$ millions)	2022	2021	2020
Segment contribution			
Surgical	1,336	1,184	672
Vision Care	600	604	419
Total segment contribution	1,936	1,788	1,091
Not allocated to segments:			
Amortization of intangible assets	(653)	(590)	(1,078)
Impairment charges on intangible assets	(62)	(225)	(167)
General & administration (corporate)	(255)	(251)	(232)
Separation costs	—	(36)	(217)
Transformation costs	(119)	(68)	(49)
Fair value adjustments to contingent consideration liabilities	23	42	63
Past service costs for post-employment benefit plan amendments	—	18	154
Acquisition and integration related costs	(64)	—	—
Other	(134)	(98)	(47)
Operating income/(loss)	672	580	(482)
Interest expense	(134)	(120)	(124)
Other financial income & expense	(75)	(42)	(29)
Income/(loss) before taxes	463	418	(635)

Included in segment contribution are:

(\$ millions)	2022	2021	2020
Depreciation of property, plant & equipment:			
Surgical	(131)	(129)	(122)
Vision Care	(198)	(194)	(171)
Not allocated to segments	(1)	—	—
Total depreciation of property, plant & equipment	(330)	(323)	(293)
Depreciation of right-of-use assets:			
Surgical	(46)	(50)	(47)
Vision Care	(30)	(31)	(32)
Total depreciation of right-of-use assets	(76)	(81)	(79)
Impairment charges on property, plant & equipment, net:			
Surgical	(2)	—	(6)
Vision Care	—	—	—
Total impairment charges on property, plant & equipment, net	(2)	—	(6)
Equity-based compensation:			
Surgical	(74)	(74)	(55)
Vision Care	(61)	(60)	(45)
Not allocated to segments	(17)	(17)	(13)
Total equity-based compensation	(152)	(151)	(113)

Geographical information

The following table shows the United States, International and countries that accounted for more than 5% of at least one of the respective Alcon totals, for net sales for the years ended December 31, 2022, 2021 and 2020, and for selected non-current assets at December 31, 2022 and 2021:

(\$ millions unless indicated otherwise) ⁽¹⁾	Net sales ⁽²⁾						Total of selected non-current assets ⁽³⁾			
	2022	2021	2020	2022	2021					
Country										
United States	3,897	45 %	3,651	44 %	2,975	44 %	11,739	51 %	10,200	47 %
International	4,757	55 %	4,571	56 %	3,788	56 %	11,336	49 %	11,553	53 %
<i>thereof:</i>										
Switzerland (country of domicile)	59	1 %	60	1 %	55	1 %	9,462	41 %	9,762	45 %
Japan	568	7 %	621	8 %	650	10 %	44	— %	46	— %
China	474	5 %	486	6 %	383	6 %	9	— %	16	— %
Other	3,656	42 %	3,404	41 %	2,700	40 %	1,821	8 %	1,729	8 %
Company total	8,654	100 %	8,222	100 %	6,763	100 %	23,075	100 %	21,753	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.

5. Interest expense and other financial income & expense

Interest expense

(\$ millions)	2022	2021	2020
Interest expense on financial debts	(110)	(95)	(94)
Interest expense from discounting long-term liabilities	(9)	(12)	(17)
Interest expense on lease liabilities	(15)	(13)	(13)
Total interest expense	(134)	(120)	(124)

Other financial income & expense

(\$ millions)	2022	2021	2020
Interest income	16	3	6
Loss on extinguishment of financial debt	(5)	—	—
Other financial expense	(12)	(10)	(9)
Monetary loss from hyperinflation accounting	(16)	(6)	(4)
Currency result, net	(58)	(29)	(22)
Total other financial income & expense	(75)	(42)	(29)

6. Taxes

Income/(loss) before taxes

(\$ millions)	2022	2021	2020
Switzerland	234	680	(585)
Foreign	229	(262)	(50)
Total income/(loss) before taxes	463	418	(635)

Current and deferred income tax (expense)/income

(\$ millions)	2022	2021	2020
Switzerland	(17)	(118)	(14)
Foreign	(146)	(116)	(105)
Current income tax expense	(163)	(234)	(119)
Switzerland	53	45	96
Foreign	(18)	147	127
Deferred tax income	35	192	223
Total income tax (expense)/income	(128)	(42)	104

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.

(\$ millions unless indicated otherwise) ⁽¹⁾	2022		2021		2020	
		%		%		%
Applicable tax rate	(104)	22.5 %	(39)	9.3 %	98	15.4 %
Effect of disallowed expenditures	(13)	2.8 %	(10)	2.4 %	(20)	(3.1)%
Effect of equity-based compensation	(13)	2.8 %	(7)	1.7 %	(5)	(0.8)%
Effect of income taxed at reduced rates	4	(0.9)%	1	(0.2)%	4	0.6 %
Effect of tax credits and allowances	11	(2.4)%	9	(2.2)%	9	1.4 %
Effect of deductibility of a statutory expense in Switzerland ⁽²⁾	23	(5.0)%	38	(9.1)%	—	— %
Effect of adjustments to contingent consideration and other liabilities	3	(0.6)%	7	(1.7)%	17	2.7 %
Effect of option payments	—	— %	(2)	0.5 %	(6)	(0.9)%
Effect of tax rate changes	—	— %	(3)	0.7 %	10	1.6 %
Effect of changes in uncertain tax positions ⁽³⁾	10	(2.2)%	(39)	9.3 %	(8)	(1.3)%
Effect of 2022 APA on prior years	(37)	8.0 %	—	— %	—	— %
Effect of non-deductible amortization	(7)	1.5 %	—	— %	—	— %
Effect of other items	(2)	0.4 %	(3)	0.7 %	(10)	(1.6)%
Effect of prior year items	(3)	0.6 %	6	(1.4)%	15	2.4 %
Effective tax rate	(128)	27.6 %	(42)	10.0 %	104	16.4 %

(1) Percentages may not sum due to rounding.

(2) Effect of deductibility of statutory expense in Switzerland relates to agreements for fiscal years 2022 and 2021. It is uncertain whether Alcon will obtain a similar benefit in future years.

(3) Effect of changes in uncertain tax positions in 2022 primarily relate to recognition of the benefit of the effect of deductibility of a statutory expense in Switzerland for 2021, partially offset by a reserve for the deductibility of a statutory expense in Switzerland for 2022. Effect of changes in uncertain tax positions in 2021 primarily relate to international transfer pricing and a partial reserve for the deductibility of a statutory expense in Switzerland.

Alcon has a substantial business presence in many countries and is therefore subject to different income and expense items that are non-taxable (permanent differences) or are taxed at different rates in those tax jurisdictions. This results in a difference between Alcon's applicable tax rate and effective tax rate as shown in the table above.

During the fourth quarter of 2022, Alcon recognized the impact of an Advanced Pricing Agreement between US and Switzerland tax authorities (the "2022 APA") related to the allocation and taxation of relevant Alcon profits between the US and Switzerland retroactive to 2019. The 2022 APA results in more profit being taxable at the rate applicable in the US compared to Alcon's historical filing position. As a result, in the fourth quarter of 2022 Alcon recorded a discrete item of \$37 million of tax expense related to the 2019 through 2021 tax years and an increase of \$64 million of tax expense for the current year, which is included in Alcon's effective tax rate. The 2022 APA was agreed upon in the first quarter of 2023 and is expected to be valid through 2027.

The increase in the applicable tax rate for 2022 was primarily driven by more profit being taxable at the rate applicable in the US compared to Alcon's historical filing position as a result of the 2022 APA. The applicable tax rate in 2021 and 2020 was impacted by pre-tax losses in certain tax jurisdictions. The fluctuation in taxes and effective tax rates is primarily due to the geographical pre-tax income and loss mix across certain tax jurisdictions relative to Alcon's consolidated income/(loss) before taxes, changes in uncertain tax positions and certain non-recurring items.

Tax returns are subject to examination by competent taxing authorities, which may result in assessments being made requiring payments of additional tax, interest or penalties. Inherent uncertainties exist in the estimates of the tax positions.

On August 16, 2022, the US enacted the Inflation Reduction Act (the "IRA"). Alcon does not currently believe the IRA will have a material effect on its reported results, cash flows or financial position when it becomes effective.

7. Share capital, dividends and earnings/(loss) per share

7.1 Share capital

The share capital of the Company as of December 31, 2022 is CHF 20 million, which is comprised of 499.7 million registered shares, nominal value of CHF 0.04 per share.

The following table shows the movement in the shares:

(shares in millions)	Common stock shares outstanding	Treasury stock shares	Total shares
January 1, 2020	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
Settlement of equity-based awards	1.7	(1.7)	—
December 31, 2022	491.8	7.9	499.7

On November 10, 2020, the Company's Board of Directors approved an increase of CHF 320,000 out of the Company's authorized share capital through the issuance of 8.0 million additional registered shares, nominal value CHF 0.04 per share, to fulfill the future vesting of existing and future equity-based awards. These additional shares were issued as treasury shares as part of the Company's authorized share capital according to the authority granted by the shareholders at the Company's Annual General Meeting held on January 29, 2019 and reflected in the Company's Articles of Incorporation as amended. While the transaction increased the number of shares available for issuance under the Company's equity-based compensation plans, there was no immediate impact on the number of shares outstanding or earnings per share calculations at the time of the transaction. To the extent award settlement occurs through the use of treasury shares, the number of shares outstanding and earnings per share calculations will be impacted as shares are delivered to plan participants over the course of the next several years. All of the Company's 7.9 million shares held in treasury may only be used to fulfill the future vesting of existing and future equity-based awards. The authority to issue additional registered shares under the authorized share capital expired on January 29, 2021.

7.2 Dividends

On February 15, 2022, the Company's Board of Directors proposed a dividend of CHF 0.20 per share, which was subsequently approved by the shareholders at the Annual General Meeting on April 27, 2022 and paid in May 2022 for an amount of \$100 million.

On February 23, 2021, the Company's Board of Directors proposed a dividend of CHF 0.10 per share, which was subsequently approved by the shareholders at the Annual General Meeting on April 28, 2021 and paid in May 2021 for an amount of \$54 million.

7.3 Earnings/(loss) per share

Basic earnings/(loss) per share is computed by dividing net income/(loss) for the period by the weighted average number of common shares outstanding during the period. For the years ended December 31, 2022, 2021 and 2020, the weighted average number of shares outstanding was 491.4 million, 490.0 million and 489.0 million shares, respectively.

The only potentially dilutive securities are the outstanding unvested equity-based awards under the Company's equity-based incentive plans, as described in Note 23 to these Consolidated Financial Statements. Except when the effect would be anti-dilutive, the calculation of diluted earnings per common share includes the weighted average net impact of unvested equity-based awards. For the years ended December 31, 2022 and 2021, the weighted average diluted number of shares outstanding was 494.4 million and 493.4 million, respectively, which includes the potential conversion of 3.0 million and 3.4 million unvested equity-based awards, respectively. For the year ended December 31, 2020, 2.8 million unvested equity-based awards have been excluded from the calculation of diluted loss per share as their effect would be anti-dilutive.

The average market value of the Company's shares for the purposes of calculating the potentially dilutive effects of unvested equity-based awards was based on quoted market prices for the period that the unvested awards were outstanding.

8. Property, plant & equipment

The following table summarizes the movements of property, plant & equipment in 2022:

(\$ millions)	Land	Buildings & improvements	Construction in progress	Machinery & other equipment	Total
Cost					
January 1, 2022	36	1,987	790	3,547	6,360
Additions	—	10	554	123	687
Impact of business combination	—	10	2	15	27
Disposals and derecognitions ⁽¹⁾	—	(13)	(3)	(172)	(188)
Reclassifications for assets placed in service	—	127	(389)	262	—
Currency translation effects	(1)	(30)	1	(81)	(111)
December 31, 2022	35	2,091	955	3,694	6,775
Accumulated depreciation					
January 1, 2022	—	(802)	(1)	(1,846)	(2,649)
Depreciation charge	—	(92)	—	(238)	(330)
Impairment charge	—	—	(2)	—	(2)
Disposals and derecognitions ⁽¹⁾	—	13	1	165	179
Currency translation effects	—	11	—	41	52
December 31, 2022	—	(870)	(2)	(1,878)	(2,750)
Net book value at December 31, 2022	35	1,221	953	1,816	4,025

(1) Derecognition of assets that are no longer used and are not considered to have a significant disposal value or other alternative use.

As of December 31, 2022, commitments for purchases of property, plant & equipment were \$248 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

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	2	8	654	57	721
Disposals and derecognitions ⁽¹⁾	—	(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 ⁽¹⁾	—	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) Derecognition of assets that are no longer used and are not considered to have a significant disposal value or other alternative use.

As of December 31, 2021, commitments for purchases of property, plant & equipment were \$186 million.

9. Goodwill and other intangible assets

The following table summarizes the movements of goodwill and other intangible assets in 2022:

(\$ millions)	Goodwill	Alcon brand name	Acquired in-process research & development	Intangible assets other than goodwill				Total
				Technologies	Currently marketed products	Marketing know-how	Other intangible assets (including software)	
Cost								
January 1, 2022	8,905	2,980	737	5,369	4,803	5,960	658	20,507
Impact of business combination	65	—	175	—	850	—	—	1,025
Impact of asset acquisitions	—	—	10	—	385	—	12	407
Additions	—	—	—	—	151	—	57	208
Disposals and derecognitions ⁽¹⁾	—	—	(2)	—	—	—	(7)	(9)
December 31, 2022	8,970	2,980	920	5,369	6,189	5,960	720	22,138
Accumulated amortization								
January 1, 2022	—	—	(180)	(5,238)	(3,471)	(2,622)	(231)	(11,742)
Amortization charge	—	—	—	(40)	(279)	(239)	(95)	(653)
Disposals and derecognitions ⁽¹⁾	—	—	2	—	—	—	6	8
Impairment charges	—	—	(3)	—	(59)	—	—	(62)
December 31, 2022	—	—	(181)	(5,278)	(3,809)	(2,861)	(320)	(12,449)
Net book value at December 31, 2022	8,970	2,980	739	91	2,380	3,099	400	9,689

(1) Derecognitions of assets that are no longer used or being developed and are not considered to have a significant disposal value or other alternative use.

The following table summarizes the allocation of the net book values of goodwill and other intangible assets by reportable segment at December 31, 2022:

(\$ millions)	Goodwill	Alcon brand name	Acquired in-process research & development	Intangible assets other than goodwill				Total
				Technologies	Currently marketed products	Marketing know-how	Other intangible assets (including software)	
Surgical								
Surgical	4,544	—	564	91	583	3,099	240	4,577
Vision Care	4,426	—	175	—	1,797	—	160	2,132
Not allocated to segments	—	2,980	—	—	—	—	—	2,980
Net book value at December 31, 2022	8,970	2,980	739	91	2,380	3,099	400	9,689

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, 2022 and 2021:

(As a percentage)	2022		2021	
	Surgical	Vision Care	Surgical	Vision Care
Terminal growth rate	3.0	3.0	3.0	3.0
Discount rate (post-tax)	9.0	8.75	7.0	6.5

The Surgical and Vision Care reportable segments' terminal growth rate assumption of 3.0% takes into consideration how the industry is expected to grow, analysis of industry expert reports, and expected relevant changes in demographics for various markets. The discount rates for both Surgical and Vision Care reportable segments consider Alcon's weighted average cost of capital, adjusted to approximate the weighted average cost of capital of comparable market participants. Both the terminal growth rates and the discount rates are consistent with external sources of information.

The FVL COD, for all groupings of CGUs containing goodwill or indefinite life intangible assets, is reviewed for the impact of reasonably possible changes in key assumptions. In particular Alcon considered an increase in the discount rate, a decrease in the terminal growth rate and certain negative impacts on the forecasted cash flows. These reasonably possible changes in key assumptions did not indicate an impairment.

Refer to "Impairment of goodwill, Alcon brand name and definite lived intangible assets" and "Acquired In-Process Research & Development ("IPR&D")" in Note 2 in these Consolidated Financial Statements for additional disclosures on how Alcon performs goodwill and intangible asset impairment testing.

The following table summarizes the movements of goodwill and other intangible assets in 2021:

(\$ millions)	Intangible assets other than goodwill								Total
	Goodwill	Alcon brand name	Acquired in-process research & development	Technologies	Currently marketed products	Marketing know-how	Other intangible assets (including software)		
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	—	—	—	—	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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

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)	Goodwill	Alcon brand name	Intangible assets other than goodwill				Other intangible assets (including software)	Total
			Acquired in-process research & development	Technologies	Currently marketed products	Marketing know-how		
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

Intangible asset impairment charges

The following table shows the intangible asset impairment charges in 2022, 2021 and 2020:

(\$ millions)	2022	2021	2020
Surgical	(60)	(178)	(66)
Vision Care	(2)	(47)	(101)
Total	(62)	(225)	(167)

For the year ended December 31, 2022, impairment charges recognized in the Consolidated Income Statement amounted to \$62 million, primarily due to impairments of \$61 million recognized in the second quarter. An impairment charge of \$59 million was recognized in Cost of net sales for a currently marketed product CGU in the Surgical reportable segment due to higher forecasted research and development costs associated with product redesign and delayed launch date of the next generation product. The CGU was reduced to its recoverable amount of \$15 million determined based on the VIU method at the time of impairment. VIU was estimated using net present value techniques utilizing pre-tax cash flows and a discount rate of 7.8%. The remaining impairment charge of \$2 million in the second quarter was recognized in Research & development to fully impair an acquired research & development intangible asset in the Vision Care reportable segment which will no longer be used.

For the year ended December 31, 2021, impairment charges recognized in the Consolidated Income Statement amounted to \$225 million. Impairments of \$180 million were recognized in Research & development in 2021. Of that amount, an impairment charge of \$178 million was recognized in the third quarter of 2021 in Research & development to fully impair a CGU in the Surgical reportable segment upon a decision to suspend research and development efforts and commercialization of the product as Alcon prioritizes other products in the portfolio. An additional impairment charge of \$2 million was recognized in the fourth quarter of 2021 in Research & development to fully impair a licensed technology in the Vision Care reportable segment, which will no longer be used in any future research and development activities. The remaining amount of \$45 million relates to an impairment charge recognized in the first quarter of 2021 in Cost of net sales for a currently marketed product CGU in the Vision Care reportable segment due to lower expected sales. The CGU was reduced to its recoverable amount of \$48 million determined based on the FVLCOD method at the time of impairment. FVLCOD was estimated using net present value techniques utilizing post-tax cash flows and a discount rate as there are no direct or indirect observable prices in active markets for identical or similar assets. The discount rate was consistent with the rate used in the annual goodwill impairment assessment.

For the year ended December 31, 2020, impairments amounted to \$167 million. An impairment of \$61 million was recognized in the third quarter of 2020, primarily to fully impair a CGU within the Vision Care reportable segment upon termination of the associated licensing agreement. The impairment was recognized in Research & development in the Consolidated Income Statement. The remaining amount relates to additional impairments of \$106 million, which were recognized in Cost of net sales in the Consolidated Income Statement in 2020. Of that amount, an impairment of \$41 million was recorded for a currently marketed product CGU within the Vision Care reportable segment due to lower expected sales. The CGU was reduced to its recoverable amount of \$88 million at the time of impairment in the second quarter of 2020. An additional \$65 million relates to impairments of a currently marketed product CGU in the Surgical reportable segment recognized in the first and fourth quarters of 2020 due to lower expected sales. This CGU was also reduced to its recoverable amount of \$65 million at the time of impairment at December 31, 2020. The recoverable amount of each CGU was determined based on the FVLCOD method. FVLCOD 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

markets for identical or similar assets. The discount rates of 7.5% and 7.0% for Surgical and Vision Care reportable segments, respectively, were consistent with the rates used in the annual goodwill impairment assessment.

The estimates used in calculating net present values involve significant judgement by management and include assumptions with measurement uncertainty. The estimates include cash flow projections for a five-year period based on management forecasts, sales forecasts beyond the five-year period extrapolated using long-term expected growth rates, discount rates, and future tax rates. Actual cash flows and values could vary significantly from forecasted future cash flows and related values derived using net present value techniques.

For FVL COD, the estimates used are considered to be consistent with market participant assumptions. Since the cash flow projections are a significant unobservable input, the fair value of the CGUs were classified as Level 3 in the fair value hierarchy.

10. Deferred tax assets and liabilities

(\$ millions)	Property, plant & equipment	Intangible assets	Pensions and other benefit obligations of associates	Inventories	Tax loss carry-forwards	Other assets, provisions and accruals	Total
Gross deferred tax assets at December 31, 2021	28	5	116	372	188	452	1,161
Gross deferred tax liabilities at December 31, 2021	(246)	(1,382)	—	(23)	—	(127)	(1,778)
Net deferred tax balance at December 31, 2021	(218)	(1,377)	116	349	188	325	(617)
At December 31, 2021	(218)	(1,377)	116	349	188	325	(617)
(Charged)/credited to income	(57)	102	1	(23)	(168)	180	35
(Charged)/credited to equity	—	—	—	—	12	(31)	(19)
(Charged) to other comprehensive income	—	—	(38)	—	—	(5)	(43)
Impact of business combination	(1)	(250)	—	—	142	43	(66)
Impact of asset acquisitions	—	—	—	—	57	—	57
Net deferred tax balance at December 31, 2022	(276)	(1,525)	79	326	231	512	(653)
Gross deferred tax assets at December 31, 2022	31	4	79	352	231	642	1,339
Gross deferred tax liabilities at December 31, 2022	(307)	(1,529)	—	(26)	—	(130)	(1,992)
Net deferred tax balance at December 31, 2022	(276)	(1,525)	79	326	231	512	(653)

The below table presents the Net deferred tax balance as of December 31, 2022 after offsetting \$928 million of deferred tax assets and liabilities within the same tax jurisdiction.

(\$ millions)	At December 31, 2022
Deferred tax assets	411
Deferred tax liabilities	(1,064)
Net deferred tax liabilities	(653)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

(\$ millions)	Property, plant & equipment	Intangible assets	Pensions and other benefit obligations of associates	Inventories	Tax loss carry-forwards	Other assets, provisions and accruals	Total
Gross deferred tax assets at December 31, 2020	24	5	128	381	174	314	1,026
Gross deferred tax liabilities at December 31, 2020	(215)	(1,519)	—	(23)	—	(66)	(1,823)
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)

The below table presents deferred tax assets and deferred tax liabilities expected to have an impact on current taxes payable after more than twelve months.

(\$ billions)	At December 31, 2022	At December 31, 2021
Deferred tax assets	1.0	0.8
Deferred tax liabilities	1.9	1.7

For foreign unremitted earnings retained by consolidated entities for reinvestment, which amounted to \$9 billion as of December 31, 2022 and December 31, 2021, no provision is made for income taxes that would be payable upon the distribution of these earnings. If these earnings were remitted, an income tax charge could result based on the tax statutes currently in effect.

IFRS exceptions to recognizing taxable temporary differences include an exception to recognizing a deferred tax liability arising on the initial recognition of goodwill from acquisitions. As such, we have not provided a deferred tax for goodwill from acquisitions which amounted to \$9 billion as of December 31, 2022 and 2021.

The gross value of capital loss carryforwards for which no deferred tax assets were recognized amounted to \$120 million at December 31, 2022 (\$103 million at December 31, 2021) and will expire in four years.

The gross value of tax loss carryforwards capitalized as deferred tax assets amounted to \$1,429 million at December 31, 2022 (\$1,047 million at December 31, 2021), of which \$45 million will expire in five years. Of the remaining \$1,384 million, approximately \$776 million have an indefinite carryforward period, and approximately \$608 million have a carryforward period that ranges from six to twenty years. The gross value of tax loss carryforwards for which no deferred tax assets were recognized amounted to \$438 million. All other tax loss carryforwards have been capitalized as deferred tax assets in 2022 as it is probable that sufficient taxable income will be available for the foreseeable future.

No tax losses carried forward have expired in 2022, 2021 or 2020.

11. Financial and other non-current assets

The below tables provide details related to Financial assets and Other non-current assets as of December 31, 2022 and 2021.

Financial assets

(\$ millions)	2022	2021
Long-term financial investments measured at FVOCI	88	46
Long-term financial investments measured at FVPL	20	6
Long-term receivables from customers	119	110
Non-current minimum lease payments from finance lease agreements	38	35
Long-term loans, advances and security deposits	22	20
Total financial assets	287	217

Minimum lease payments from finance lease agreements

The following table shows the receivables of the gross investments in finance leases and the net present value of the minimum lease payments, as well as unearned finance income, related to surgical equipment lease arrangements. The finance income is recorded in "Other income".

(\$ millions)	2022					2021				
	Total future payments	Unearned interest income	Present value	Provision	Net book value	Total future payments	Unearned interest income	Present value	Provision	Net book value
Not later than one year ⁽¹⁾	28	(2)	26	(1)	25	32	(2)	30	(2)	28
Between one and five years	49	(2)	47	(10)	37	47	(2)	45	(12)	33
Later than five years	1	—	1	—	1	2	—	2	—	2
Total	78	(4)	74	(11)	63	81	(4)	77	(14)	63

(1) The current portion of the minimum lease payments is recorded in Trade receivables or Other current assets (to the extent not yet invoiced).

Other non-current assets

(\$ millions)	2022	2021
Deferred compensation plans	139	155
Prepaid post-employment benefit plans	8	25
Other non-current assets	96	54
Total other non-current assets	243	234

12. Inventories

The amount of inventory recognized as an expense in "Cost of net sales" in the Consolidated Income Statement during 2022 amounted to \$2.7 billion (2021: \$2.5 billion, 2020: \$2.1 billion). The amount of inventory recognized as an expense in "Cost of other revenues" in the Consolidated Income Statement during 2022 amounted to \$59 million (2021: \$62 million, 2020: \$63 million).

(\$ millions)	2022	2021
Raw material, consumables	433	336
Work in progress	201	169
Finished products	1,475	1,394
Total inventories	2,109	1,899

Alcon recognized inventory provisions and write-downs amounting to \$200 million in 2022 (2021: \$220 million, 2020: \$304 million) and reversed inventory provisions amounting to \$72 million in 2022 (2021: \$83 million, 2020: \$91 million). Inventory provisions mainly relate to the adjustment of inventory balances to their net realizable value based on the forecasted sales. Reversals are made when the products become salable.

13. Trade receivables

Trade receivable balances include sales to wholesalers, retailers, doctor groups, private health systems, government agencies, pharmacy benefit managers, managed health-care organizations and government-supported healthcare systems. The following tables provide details related to Trade receivables as of December 31, 2022 and 2021, including trade receivables that are not overdue as specified in the payment terms and conditions established with Alcon's customers, as well as an analysis of overdue amounts, expected credit loss rates and related provisions for doubtful trade receivables:

(\$ millions)	2022			
	Gross trade receivables	Provision	Trade receivables, net	Expected credit loss rates
Not overdue	1,390	(2)	1,388	0.1 %
Past due for not more than one month	125	(1)	124	0.8 %
Past due for more than one month but less than three months	93	(2)	91	2.2 %
Past due for more than three months but less than six months	56	(4)	52	7.1 %
Past due for more than six months but less than one year	28	(16)	12	57.1 %
Past due for more than one year	38	(32)	6	84.2 %
Total	1,730	(57)	1,673	

(\$ millions)	2021			
	Gross trade receivables	Provision	Trade receivables, net	Expected credit loss rates
Not overdue	1,273	(2)	1,271	0.2 %
Past due for not more than one month	96	(1)	95	1.0 %
Past due for more than one month but less than three months	74	(1)	73	1.4 %
Past due for more than three months but less than six months	43	(2)	41	4.7 %
Past due for more than six months but less than one year	23	(13)	10	56.5 %
Past due for more than one year	42	(36)	6	85.7 %
Total	1,551	(55)	1,496	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

The following table summarizes the movement in the provision for doubtful trade receivables:

(\$ millions)	2022	2021	2020
January 1	(55)	(68)	(48)
Provisions for doubtful trade receivables charged to the Consolidated Income Statement	(40)	(20)	(48)
Utilization of provisions for doubtful trade receivables	7	8	15
Reversal of provisions for doubtful trade receivables	28	23	14
Currency translation effects	3	2	(1)
December 31	(57)	(55)	(68)

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

The following table shows the gross trade receivables balance from these closely monitored countries as of December 31, 2022 and 2021, the amounts that are past due for more than one year and the related amount of the provisions for doubtful trade receivables that have been recorded:

(\$ millions)	2022	2021
Total balance of gross trade receivables from closely monitored countries	280	252
Past due for more than one year	8	10
Provisions for doubtful trade receivables	(10)	(11)

Trade receivables include amounts denominated in the following major currencies:

(\$ millions)	2022	2021
US dollar (USD)	701	526
Euro (EUR)	256	243
Japanese yen (JPY)	154	160
Chinese yuan (CNY)	102	122
Brazilian real (BRL)	55	44
Indian rupee (INR)	33	36
Canadian dollar (CAD)	35	39
Australian dollar (AUD)	29	24
British pound (GBP)	31	29
Russian ruble (RUB)	28	35
South Korean won (KRW)	37	38
Mexican peso (MXN)	26	25
Other currencies	186	175
Total trade receivables, net	1,673	1,496

14. Other current assets

The following table provides details related to Other current assets as of December 31, 2022 and 2021:

(\$ millions)	2022	2021
Current portion of long-term receivables from customers	102	97
Current portion of minimum lease payments from finance lease agreements	25	28
Prepaid expenses	107	92
VAT receivables	99	105
Other receivables, security deposits and current assets	77	79
Derivative financial instruments	8	3
Equity securities in public companies	—	3
Total other current assets	418	407

15. Right-of-use assets and Lease liabilities

Right-of-use assets

Right-of-use assets as of December 31, 2022 and 2021 were comprised of the following:

(\$ millions)	2022	2021
Land	15	17
Buildings	347	326
Machinery & equipment and other assets	29	29
Total right-of-use assets	391	372

Depreciation charges of \$76 million and \$81 million for the years ended December 31, 2022 and 2021, respectively, are shown in the table below by underlying class of asset:

(\$ millions)	2022	2021
Land	1	1
Buildings	58	60
Machinery & equipment and other assets	17	20
Total depreciation of right-of-use assets	76	81

Lease liabilities

Lease liabilities totaled \$430 million as of December 31, 2022, including \$71 million in current Lease liabilities and \$359 million in non-current Lease liabilities. The contractual maturities of the undiscounted lease liabilities as of December 31, 2022 and 2021, are as follows:

(\$ millions)	Lease liabilities undiscounted	
	2022	2021
Not later than one year	85	80
Between one and five years	226	197
Later than five years	233	237
Total lease liabilities undiscounted	544	514

(\$ millions)	Lease liabilities	
	2022	2021
Not later than one year	71	67
Between one and five years	180	157
Later than five years	179	182
Total lease liabilities	430	406

Additional disclosures

The following table provides additional disclosures related to Right-of-use assets and Lease liabilities:

(\$ millions)	2022	2021
Interest expense on lease liabilities	15	13
Expense on short-term, low value and variable leases	3	7
Total cash outflows for leases	87	92
<i>Thereof:</i>		
<i>Lease liability payments⁽¹⁾</i>	69	72
<i>Interest payments⁽²⁾</i>	15	13
<i>Short-term, low value and variable lease payments⁽²⁾</i>	3	7

(1) Reported as cash outflows from financing activities net of lease incentives received

(2) Included within total net cash flows from operating activities

16. Non-current and current financial debts

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

(\$ millions)	2022	2021
Non-current financial debts		
Facility B, floating rate debt due 2024	—	796
Facility C, floating rate debt due 2024	—	395
Local facilities (Japan), floating rate debt due 2023	—	47
2.750% Series 2026 Notes	497	496
2.375% Series 2028 Notes	527	—
3.000% Series 2029 Notes	994	993
2.600% Series 2030 Notes	746	745
5.375% Series 2032 Notes	692	—
3.800% Series 2049 Notes	494	494
5.750% Series 2052 Notes	591	—
Revolving facility, floating rate due 2026	—	—
Total non-current financial debts	4,541	3,966
Current financial debts		
Local facilities, floating rate:		
Japan	69	84
All others	2	17
Other short-term financial debts, floating rate	26	6
Derivatives	10	7
Total current financial debts	107	114
Total financial debts	4,648	4,080

Interest expense recognized for Financial debts, excluding lease liabilities, was \$110 million, \$95 million and \$94 million for the years ended December 31, 2022, 2021 and 2020, respectively. The weighted average interest rate on Financial debts was 2.7% and 2.3% in 2022 and 2021, respectively.

Series 2028 Notes issuance

On May 31, 2022, AFBV issued EUR denominated senior notes due in 2028 ("Series 2028 Notes"). The Series 2028 Notes are unsecured senior obligations of AFBV issued and closed in a public offering and rank equally in right of payment with the Series 2026, Series 2029, Series 2030 and Series 2049 notes. The total principal of the Series 2028 Notes is \$533 million (EUR500 million) as of December 31, 2022. The Series 2028 Notes were issued at 99.476% with 2.375% interest payable annually in May, beginning in May 2023. The Series 2028 Notes were issued at a discount totaling \$3 million, which was recorded as a reduction to the carrying value of the Series 2028 Notes and will be amortized to Interest expense over the term of the Series 2028 Notes. AFBV incurred \$3 million of debt issuance costs, which were recorded as a reduction to the carrying value of the Series 2028 Notes and will be amortized to Other financial income & expense over the term of the Series 2028 Notes.

On May 31, 2022, the funds borrowed through the issuance of the Series 2028 Notes were used to fully repay the \$376 million (EUR350 million) Facility C term loan maturing in 2024 and repay \$160 million of the \$800 million Facility B term loan maturing in 2024. The transactions were accounted for as an extinguishment and partial extinguishment of a liability, respectively. Alcon recognized losses on extinguishment of \$1 million associated with the write-off of unamortized deferred financing costs in Other financial income & expense during the second quarter of 2022.

2022 Bridge Loan Facility

On September 14, 2022, AFC executed a \$900 million 2022 Bridge Loan Facility with J.P. Morgan Chase Bank, N.A. London Branch. The 2022 Bridge Loan Facility was fully guaranteed by the Company and was restricted for use in funding the acquisition of Aerie. On September 27, 2022, a Syndication Agreement was executed to add more financial institutions as new lenders, effective from September 28, 2022.

On November 21, 2022, in connection with the consummation of the Aerie acquisition, \$775 million of the financing commitments were drawn with net proceeds of \$771 million used for the acquisition of Aerie. AFC incurred \$4 million of debt issuance costs, which were recorded as a reduction to the carrying value of the 2022 Bridge Loan Facility.

Series 2032 Notes and Series 2052 Notes issuance

On December 6, 2022, AFC issued senior notes due in 2032 ("Series 2032 Notes") and 2052 ("Series 2052 Notes"). The Series 2032 Notes and Series 2052 Notes are unsecured senior obligations of AFC issued and closed in a private offering and rank equally in right of payment with the Series 2026, Series 2028, Series 2029, Series 2030 and Series 2049 notes. The principal amounts of the Series 2032 Notes and Series 2052 Notes are \$700 million and \$600 million, respectively. The Series 2032 Notes and Series 2052 Notes were issued at a discount of \$4 million and \$2 million, respectively, which were recorded as a reduction to the carrying values of the Series 2032 Notes and Series 2052 Notes and will be amortized to Interest expense over the term of the notes. AFC incurred debt issuance costs of \$4 million and \$7 million for the Series 2032 Notes and Series 2052 Notes, respectively, which were recorded as a reduction to the carrying values of the Series 2032 Notes and Series 2052 Notes and will be amortized to Other financial income & expense over the term of the notes.

The Notes consist of the following:

- Series 2032 Notes - \$700 million due in 2032 issued at 99.458%, 5.375% interest is payable twice per year in December and June, beginning in June 2023.
- Series 2052 Notes - \$600 million due in 2052 issued at 99.674%, 5.750% interest is payable twice per year in December and June, beginning in June 2023.

Using the funds borrowed through the issuance of the Series 2032 Notes and Series 2052 Notes together with cash, the Company exercised its early redemption rights to fully repay the remaining \$640 million Facility B term loan and to fully repay the drawn amount of \$775 million under the 2022 Bridge Loan Facility, as required by the mandatory prepayment clause. Consequently, the undrawn commitment of the 2022 Bridge Loan Facility was cancelled. The transactions were accounted for as extinguishment of liabilities. Alcon recognized losses on extinguishment of \$4 million associated with the write-off of unamortized deferred financing costs in Other financial income & expense during the fourth quarter of 2022.

Senior notes assumed in Aerie acquisition

As part of the Aerie acquisition, Alcon assumed Aerie's \$316.2 million convertible senior notes due on October 1, 2024. The convertible notes were issued at 1.500% interest payable semi-annually on April 1 and October 1 of each year. Following the delisting of Aerie on November 21, 2022, the senior notes were no longer convertible to equity. On December 20, 2022, Alcon made payments of \$316.0 million to note holders and \$0.2 million remained outstanding as of December 31, 2022.

Series 2030 Notes issuance

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

Revolving Facility

In February 2021, the \$1.0 billion Revolving Facility was extended to March 2026. The Revolving Facility remained undrawn as of December 31, 2022.

Local bilateral facilities

Alcon holds a number of local bilateral facilities in different countries with the largest share of borrowings in Japan. Two local bilateral facilities in Japan matured in February 2021 and were refinanced by three facilities with one and two year maturities. During the year ended December 31, 2022, changes in financial debts for local bilateral facilities primarily included the movement of balances from non-current to current and payment of certain local bilateral facilities in Japan. In addition, one local bilateral facility in Japan matured in February 2022 and was renewed for another one year term. As of December 31, 2022, a total of \$69 million was drawn in Japan and is classified as current with a maturity date of one year or less. There was \$101 million undrawn on the facilities in Japan as of December 31, 2022.

Guarantees

The Series 2026, 2028, 2029, 2030, 2032, 2049 and 2052 Notes, the three local bilateral facilities in Japan and the undrawn Revolving Facility are guaranteed by the Company.

Maturity of contractual undiscounted cash flows and interest payment commitments

The following table provides details on the maturity of the contractual undiscounted cash flows for Alcon's borrowings as of December 31, 2022 and 2021:

(\$ millions)	2022			2021		
	Nominal amount - Current and non-current financial debt	Derivatives	Total	Nominal amount - Current and non-current financial debt	Derivatives	Total
Not later than one year	97	10	107	107	7	114
Between one and five years	500	—	500	1,743	—	1,743
Later than five years	4,083	—	4,083	2,250	—	2,250
Total contractual undiscounted cash flows	4,680	10	4,690	4,100	7	4,107
Unamortized debt discount and issuance costs	(42)	—	(42)	(27)	—	(27)
Total carrying value	4,638	10	4,648	4,073	7	4,080

The following table provides details on the maturity of the future contractual interest payments commitments as of December 31, 2022 and 2021:

(\$ millions)	2022		2021
Not later than one year		169	94
Between one and five years		651	340
Later than five years		1,563	583
Total cash flows	2,383		1,017

17. Financial instruments - additional disclosures

The below table provides detail related to financial instruments as of December 31, 2022 and December 31, 2021.

(\$ millions)	Note	2022	2021
Cash and cash equivalents			
Cash in current accounts		281	246
Cash held in time deposits and money market funds		699	1,329
Total cash and cash equivalents		980	1,575
Financial assets - measured at fair value through other comprehensive income ("FVOCI")			
Long-term financial investments	11	88	46
Total financial assets - measured at FVOCI		88	46
Financial assets - measured at amortized costs⁽¹⁾			
Trade receivables	13	1,673	1,496
Income tax receivables		13	9
Other current assets (excluding prepaid expenses and other current assets measured at FVPL)	14	303	309
Long-term receivables from customers	11	119	110
Non-current minimum lease payments from finance lease agreements	11	38	35
Long-term loans, advances and security deposits	11	22	20
Total financial assets - measured at amortized costs		2,168	1,979
Financial assets - measured at fair value through profit and loss ("FVPL")			
Equity securities of public companies	14	—	3
Deferred compensation assets	11	139	155
Derivative financial instruments	14	8	3
Long-term financial investments	11	20	6
Total financial assets - measured at FVPL		167	167
Total financial assets		3,403	3,767
Financial liabilities - measured at amortized cost or cost⁽¹⁾			
Current financial liabilities			
Financial debts	16	97	107
Lease liabilities	15	71	67
Trade payables		861	903
Total current financial liabilities - measured at amortized cost or cost		1,029	1,077
Non-current financial liabilities			
Financial debts	16	4,541	3,966
Lease liabilities	15	359	339
Total non-current financial liabilities - measured at amortized cost or cost		4,900	4,305
Total financial liabilities - measured at amortized cost or cost		5,929	5,382
Financial liabilities - measured at FVPL			
Contingent consideration liabilities	18	98	112
Derivative financial instruments	16	10	7
Total financial liabilities - measured at FVPL		108	119
Total financial liabilities		6,037	5,501
Net financial assets and financial liabilities		(2,634)	(1,734)

(1) The carrying amount is a reasonable approximation of fair value, with the exception of the Series 2026, 2028, 2029, 2030, 2032, 2049 and 2052 Notes recorded in Non-current financial debts with a fair value of \$4,145 million and carrying value of \$4,541 million as of December 31, 2022. As of December 31, 2021, the Series 2026, 2029, 2030 and 2049 Notes recorded in Non-current financial debts had a fair value of \$2,891 million and carrying value of \$2,728 million. The fair value of notes was determined using Level 2 inputs. The notes were valued using a quoted market price for such notes, which have low trading volumes.

Fair value by hierarchy

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

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

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

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

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

Investments in equity securities of public companies are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

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

(\$ millions)	December 31, 2022				
	Level 1	Level 2	Level 3	Valued at amortized cost or cost	
				Total	
Non-current financial assets					
Long-term financial investments measured at FVOCI	—	—	88	—	88
Long-term financial investments measured at FVPL	—	—	20	—	20
Long-term receivables from customers	—	—	—	119	119
Deferred compensation assets ⁽¹⁾	139	—	—	—	139
Non-current minimum lease payments from finance lease agreements	—	—	—	38	38
Long-term loans, advances and security deposits	—	—	—	22	22
Non-current financial assets	139	—	108	179	426
Current financial assets					
Money market funds	229	—	—	—	229
Current portion of long-term receivables from customers ⁽²⁾	—	—	—	102	102
Current portion of minimum lease payments from finance lease agreements ⁽²⁾	—	—	—	25	25
VAT receivables ⁽²⁾	—	—	—	99	99
Other receivables, security deposits and current assets ⁽²⁾	—	—	—	77	77
Derivative financial instruments ⁽²⁾	—	8	—	—	8
Current financial assets	229	8	—	303	540
Financial assets at fair value and amortized cost or cost	368	8	108	482	966
Financial liabilities					
Contingent consideration liabilities	—	—	(98)	—	(98)
Non-current financial debt	—	—	—	(4,541)	(4,541)
Current financial debt	—	—	—	(97)	(97)
Derivative financial instruments	—	(10)	—	—	(10)
Financial liabilities at fair value and amortized cost	—	(10)	(98)	(4,638)	(4,746)

(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, 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
VAT receivables ⁽²⁾	—	—	—	105	105
Other receivables, security deposits and current assets ⁽²⁾	—	—	—	79	79
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

There were no transfers of financial instruments between levels in the fair value hierarchy during the years ended December 31, 2022 and December 31, 2021.

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

Financial assets

(\$ millions)	Long-term financial investments measured at FVOCI		Financial investments measured at FVPL	
	2022	2021	2022	2021
Balance as of January 1	46	28	6	24
Additions	45	18	—	—
(Loss) recognized in Consolidated Statement of Comprehensive Income/(Loss)	(2)	—	—	—
Unrealized gain/(loss) in Consolidated Income Statement	—	—	14	(3)
Amortization	—	—	—	(12)
Settlement	(1)	—	—	(3)
Balance as of December 31	88	46	20	6

If the pricing parameters for the Level 3 inputs were to change for Long-term financial investments measured at FVOCI and Financial investments measurement at FVPL by 10% positively or negatively, this would change the amount recorded in the 2022 Consolidated Statement of Comprehensive Income/(Loss) by \$11 million.

Financial liabilities

(\$ millions)	Contingent consideration liabilities	
	2022	2021
Balance as of January 1	(112)	(157)
Accretion for passage of time	(9)	(12)
Adjustments for changes in assumptions	23	42
Payments	—	15
Balance as of December 31	(98)	(112)

Changes in contingent consideration liabilities in the current year include adjustments for changes in assumptions of \$23 million, primarily due to revised expectations for achievement and timing of settlement for development and commercial milestones. As of December 31, 2022, the probability of success for various development and commercial milestones ranges from 55% to 57% and the maximum remaining potential payments related to contingent consideration from business combinations is \$395 million, plus other amounts calculated as a percentage of commercial sales in cases where there is not a specified maximum contractual payment amount. The estimation of probability typically depends on factors such as technical milestones or market performance and is adjusted for the probability of payment. If material, probable payments are appropriately discounted to reflect the impact of time.

Changes in contingent consideration liabilities in the prior year included adjustments for changes in assumptions of \$42 million, primarily due to revised expectations for achievement of commercial milestones related to the fully impaired CGU in the Surgical reportable segment discussed in Note 9 and timing of settlement for development and commercial milestones. The prior year also included a payment of \$15 million related to achievement of a development milestone. As of December 31, 2021, the probability of success for various development and commercial milestones ranged from 55% to 80% and the maximum remaining potential payments related to contingent consideration from business combinations was \$395 million, plus other amounts calculated as a percentage of commercial sales in cases where there is not a specified maximum contractual payment amount.

Contingent consideration liabilities are reported in "Provisions & other non-current liabilities" based on the projected timing of settlement which is estimated to range from 2028 through 2034 for contingent consideration obligations as of December 31, 2022.

For the determination of the fair value of a contingent consideration various unobservable inputs are used. A change in these inputs might result in a significantly higher or lower fair value measurement. The inputs used are, among others, the probability of success, sales forecast and assumptions regarding the discount rate, timing and different scenarios of triggering events. The significance and usage of these inputs to each contingent consideration may vary due to differences in the timing and triggering events for payments or in the nature of the asset related to the contingent consideration.

As the most significant Level 3 input, if the probability of success were to change by 10% positively or negatively, this would change the amount recorded for contingent consideration payables in the 2022 Consolidated Income Statement by \$18 million.

Derivatives

As of December 31, 2022, the net value of unsettled positions for derivative forward contracts and swaps was \$2 million, including \$8 million of unrealized gains in Other current assets and \$10 million of unrealized losses in Current financial debts. As of December 31, 2021, the net value of unsettled positions for derivative forward contracts and swaps was \$4 million, including \$3 million of unrealized gains in Other current assets and \$7 million of unrealized losses in Current financial debts. There are master agreements with several banking counterparties for derivatives financial instruments; however, there were no derivative financial instruments meeting the offsetting criteria under IFRS as of December 31, 2022 or December 31, 2021.

Nature and extent of risks arising from financial instruments

Market risk

Alcon is exposed to market risk, primarily related to foreign currency exchange rates, interest rates and the market value of investments of liquid funds. Alcon actively monitors and seeks to reduce, where it deems it appropriate to do so, fluctuations in these exposures. It is Alcon policy and practice to enter into a variety of derivative financial instruments to manage the volatility of these exposures and to enhance the yield on the investment of liquid funds. Alcon does not enter into any financial transactions containing a risk that cannot be quantified at the time the transaction is concluded. In addition, Alcon does not sell short assets it does not have, or does not know it will have, in the future. Alcon only sells existing assets or enters into transactions and future transactions (in the case of anticipatory hedges) that it confidently expects it will have in the future, based on past experience. In the case of liquid funds, Alcon may write call options on assets it has, or write put options on positions it wants to acquire and has the liquidity to acquire. Alcon expects that any loss in value for these instruments generally would be offset by increases in the value of the underlying transactions.

Foreign currency exchange rate risk

Alcon uses the US Dollar as its reporting currency and is therefore exposed to foreign currency exchange movements, primarily in Euros, Japanese Yen, Chinese Renminbi, Canadian Dollars, Korean Won, Swiss Francs, Russian Rubles and emerging market currencies. Fluctuations in the exchange rate between the US Dollar and other currencies can have a significant effect on both Alcon's results of operations, including reported sales and earnings, as well as on the reported value of Alcon's assets, liabilities and cash flows. This, in turn, may significantly affect the comparability of period-to-period results of operations.

Alcon manages its global currency exposure by engaging in hedging transactions where management deems appropriate (forward contracts and swaps). Specifically, Alcon enters into various contracts that reflect the changes in the value of foreign currency exchange rates to preserve the value of assets. Refer to Note 2 to these Consolidated Financial Statements for information regarding the hyperinflationary economies in which Alcon operates.

Interest rate risk

Alcon's exposure to cash flow interest rate risks arises from the portion of financial debts at variable rates. Alcon may enter into interest rate swap agreements, in which it exchanges periodic payments based on a notional amount and agreed-upon fixed and variable rate interests. If the interest rates had been higher / lower by 1% in 2022, the income before taxes would have been lower / higher by \$9 million from the impacts of interest expense based on the change in the interest rate. As of December 31, 2022, 98% of Alcon's financial debt is at fixed interest rates materially reducing future exposure to cash flow interest rate risk.

Commodity price risk

Alcon is currently experiencing inflation and supply chain challenges due to global economic challenges to procure certain components and has exposure to price risk related to anticipated purchases of certain commodities used as raw materials by Alcon's businesses. A change in those prices may alter the gross margin of a specific business, but generally not by more than 10% of the gross margin and thus below Alcon's risk management tolerance levels. Alcon primarily manages inflationary pressures through pricing actions and productivity initiatives. Based on historical and anticipated price fluctuations, Alcon does not enter into significant forward and option contracts to manage fluctuations in prices of anticipated purchases.

Credit risk

Credit risks arise from the possibility that customers may not be able to settle their obligations as agreed. To manage this risk, Alcon periodically assesses credit risk, assigns individual credit limits, and takes actions to mitigate credit risk where appropriate. For further information, refer to Note 13 of these Consolidated Financial Statements.

No customer accounted for 10% or more of Alcon's net sales in 2022, 2021 or 2020.

Liquidity risk

Liquidity risk is defined as the risk that Alcon may not be able to settle or meet its obligations on time or at a reasonable price. Alcon Treasury is responsible for liquidity, funding and settlement management. In addition, liquidity and funding risks, and related processes and policies, are overseen by management. Alcon manages its liquidity risk on a consolidated basis according to business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of financing in order to maintain flexibility. Management monitors Alcon's net debt or liquidity position through rolling forecasts on the basis of expected cash flows. For further information on maturity of the contractual undiscounted cash flows for Alcon's borrowings and interest on borrowings, refer to Note 16 of these Consolidated Financial Statements.

18. Provisions and other non-current liabilities

The below table provides details related to Provisions and other non-current liabilities as of December 31, 2022 and 2021:

(\$ millions)	Note	2022	2021
Accrued liability for employee benefits:			
Defined benefit pension plans	22	175	295
Other long-term employee benefits and deferred compensation		160	177
Other post-employment benefits	22	221	300
Provisions for litigation and other legal matters			
Contingent consideration	17	98	112
Other non-current liabilities		132	56
Total provisions and other non-current liabilities		786	940

Alcon believes that its total provisions are adequate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, Alcon may incur additional costs beyond the amounts provided. Management believes that such additional amounts, if any, would not be material to Alcon's financial condition but could be material to the results of operations or cash flows in a given period.

Provisions for litigation and other legal matters

Alcon has established provisions for certain litigation and other legal matters, where a potential cash outflow is probable and a reliable estimate can be made of the amount of the outflow. These provisions represent the current best estimate of the total financial effect for these matters. Potential cash outflows reflected in a provision may be fully or partially offset by insurance in certain circumstances.

Alcon has not established provisions for potential damage awards for certain additional legal claims if Alcon currently believes that a payment is either not probable or cannot be reliably estimated. A number of other legal matters are in such early stages or the issues presented are such that Alcon has not made any provisions since it cannot currently estimate either a potential outcome or the amount of any potential losses. For these reasons, among others, Alcon generally is unable to make a reliable estimate of possible loss with respect to such cases. It is therefore not practicable to provide information about the potential financial impact of those cases.

There might also be cases for which Alcon was able to make a reliable estimate of the possible loss or the range of possible loss, but Alcon believes that publication of such information on a case-by-case basis would prejudice Alcon's position in ongoing legal proceedings or in any related settlement discussions. Accordingly, in such cases, information would be disclosed with respect to the nature of the contingency, but no disclosure is provided as to an estimate of the possible loss or range of possible loss.

Note 25 contains additional information on contingencies.

Summary of significant legal proceedings

A number of Alcon companies are, and will likely continue to be, subject to various legal proceedings and investigations that arise from time to time, including proceedings regarding product liability, sales and marketing practices, commercial disputes, employment, wrongful discharge, antitrust, securities, health and safety, environmental, tax, international trade, privacy, intellectual property, including under the Hatch-Waxman Act, and anti-bribery matters such as those under the Foreign Corrupt Practices Act of 1977 ("FCPA"), as amended.

As a result, Alcon may become subject to substantial liabilities that may not be covered by insurance and could affect Alcon's business, financial position and reputation. While Alcon does not believe that any of these legal proceedings will have a material adverse effect on its financial position, litigation is inherently unpredictable and large judgments sometimes occur. As a consequence, Alcon may in the future incur judgments or enter into settlements of claims that could have a material adverse effect on its results of operations or cash flow. The following is a summary as of February 27, 2023 of significant legal proceedings to which Alcon or its subsidiaries were or are currently a party.

Contact lenses class actions

Beginning in the first quarter of 2015, more than 50 class action complaints were filed in several courts across the US naming as defendants contact lens manufacturers, including Alcon, and alleging violations of federal antitrust law, as well as the antitrust, consumer protection and unfair competition laws of various states, in connection with the implementation of unilateral price policies by the defendants in the sale of contact lenses. The cases were consolidated in the Middle District of Florida by the Judicial Panel on Multidistrict Litigation. On March 23, 2022, Alcon entered a settlement agreement under which it admitted no liability and subsequently paid \$20 million into a common fund for eligible members of a class consisting of retail purchasers of contact lenses that were subject to a unilateral price policy. In exchange, Alcon obtained a release of all claims asserted against it by the class during the third quarter of 2022. On October 12, 2022, the court approved Alcon's settlement of this matter and the case is now concluded.

Hatch-Waxman patent litigation

From time to time, Alcon is a party to certain patent infringement proceedings in the US in connection with Notices of Paragraph IV Certification under the Hatch-Waxman Act received from third-party generic manufacturers respecting their applications for generic versions of certain products sold by or on behalf of Alcon, including *Simbrinza*, *Pataday*, *Rhopressa* and *Rocklatan*, or other similar suits.

During the third quarter of 2022, Alcon received a Paragraph IV Certification Letter under the Hatch-Waxman Act notifying Alcon that a generic drug company filed an application with the FDA seeking pre-patent expiry approval to sell a generic version of *Simbrinza* (brinzolamide/brimonidine tartrate ophthalmic suspension) 1%/0.2%. In October 2022, Alcon filed a patent infringement lawsuit in the US District Court for the District of Delaware against that generic drug company. The lawsuit, which asserts two patents, automatically stays FDA approval of the generic drug application for up to 30 months from receipt of the Paragraph IV Certification Letter (or earlier if the court renders a decision adverse to Alcon). The court has entered a schedule that sets trial for October 2024. Alcon intends to defend its patents in this case vigorously.

On January 31, 2022, prior to Alcon's acquisition of Aerie, Aerie received three Paragraph IV Certification Letters under the Hatch-Waxman Act notifying Aerie that three generic drug companies had filed applications to the FDA seeking pre-patent expiry approval to sell generic versions of *Rhopressa* and/or *Rocklatan*. On March 14, 2022, Aerie filed patent infringement lawsuits in the US District Court for the District of New Jersey against those generic drug companies. These lawsuits automatically stay FDA approval of the generic drug applications for up to 30 months from receipt of the respective Paragraph IV Certification Letters (or earlier if a court renders a decision adverse to Alcon). The lawsuits have been consolidated into a single case with a trial scheduled for January 2025. Alcon intends to defend its patents in this case vigorously.

JJSVI patent dispute

On June 23, 2020, Johnson & Johnson Surgical Vision, Inc. ("JJSVI"), acting through its subsidiaries, filed a patent infringement action in the US District Court in Delaware alleging that the manufacture, use, sale, offer for sale, and/or importation of Alcon's *LenSx* Laser System willfully infringes, directly and/or indirectly, one or more claims of 12 US patents. JJSVI subsequently amended its complaint to include copyright infringement claims relating to, among other things, source code used in the *LenSx* Laser System as well as additional claims of patent infringement. Also beginning on June 23, 2020, JJSVI filed claims in Mannheim, Germany, alleging that Alcon directly infringes certain European patents through its manufacture and sale of *LenSx*. In these cases, JJSVI sought monetary and injunctive relief. Alcon defended all of these cases vigorously and asserted various patent infringement and invalidity claims against JJSVI in Europe and the US. Prior to the trial on the copyright claims in the Delaware action set for February 2023, the parties entered into a confidential settlement agreement to resolve all of the pending legal proceedings described above. As part of that resolution, the parties exchanged cross-licenses of certain intellectual property and other mutually agreed covenants and releases, and Alcon agreed to make a one-time payment to JJSVI of \$199 million, which was accrued as of December 31, 2022, for those rights and to resolve the parties' various worldwide intellectual property disputes concerning such devices.

Hoya patent dispute

On December 11, 2020, Hoya Corporation and one of its affiliates filed suit against Alcon in the US District Court for the Northern District of Texas alleging that Alcon's *UltraSet* Pre-Loaded Delivery System infringes six of Hoya's US patents. The court denied in part Alcon's motion to dismiss Hoya's complaint on September 20, 2021. Trial is set for February 2024. Alcon intends to defend the case vigorously.

Asia / Russia investigation

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

Litigation and other legal matters provision movements

(\$ millions)	2022	2021	2020
January 1	53	—	—
Additions to provisions	175	54	9
Cash payments	(21)	(1)	(9)
Releases of provisions	(1)	—	—
December 31	206	53	—
Less current portion	(206)	(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.

19. Provisions and other current liabilities

The following table provides details related to Provisions and other current liabilities as of December 31, 2022 and 2021:

(\$ millions)	Note	2022	2021
Accruals for compensation and benefits including social security		465	489
Accruals for deductions from revenue		386	264
Deferred income		89	108
Taxes other than income taxes		98	93
Restructuring provisions		64	17
Accrued expenses for goods and services received but not invoiced		95	76
Accruals for royalties		12	10
Provisions for litigation and other legal matters	18	206	53
Accrued equity-based payments		12	14
Accrued interest on financial debts		31	19
Other payables		66	58
Total provisions and other current liabilities		1,524	1,201

Provisions and accruals are based upon management's best estimate and adjusted for actual experience. Such adjustments to the historical estimates have not been material.

Accruals for deductions from revenue

The following table shows the movement of accruals for deductions from revenue:

(\$ millions)	2022	2021	2020
January 1	264	217	212
Additions	878	677	540
Impact of business combination	86	—	—
Payments/utilizations	(829)	(619)	(537)
Changes in offset against gross trade receivables	(3)	(5)	(2)
Currency translation effects	(10)	(6)	4
December 31	386	264	217

Restructuring provisions

The following table shows the movement of restructuring provisions:

(\$ millions)	2022	2021	2020
January 1	17	10	28
Additions	72	21	22
Cash payments	(24)	(14)	(40)
Releases	(1)	—	—
December 31	64	17	10

In 2022, 2021 and 2020, additions to restructuring provisions of \$72 million, \$21 million and \$22 million, respectively, were primarily related to the multi-year transformation program initially announced by Alcon on November 19, 2019 and subsequently expanded as announced on November 15, 2022. The costs were mainly related to accrued severance for the associates whose positions will be eliminated.

20. Consolidated Statement of Cash Flows - additional details

The Consolidated Statement of Cash Flows was prepared in accordance with IAS 7, *Statement of Cash Flows*. The below tables provide additional detail supporting select line items in the Consolidated Statement of Cash Flows.

20.1 Depreciation, amortization, impairments and fair value adjustments

(\$ millions)	2022	2021	2020
Property, plant & equipment	332	323	299
Right-of-use assets	76	81	79
Intangible assets	715	815	1,245
Financial assets	(14)	3	5
Other non-current assets	2	(2)	(2)
Total	1,111	1,220	1,626

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

(\$ millions)	2022	2021	2020
(Increase) in inventories	(217)	(326)	(159)
(Increase)/decrease in trade receivables	(164)	(198)	43
(Decrease)/increase in trade payables	(48)	60	(21)
Net change in other operating assets	(63)	(24)	127
Net change in other operating liabilities	(30)	174	(35)
Total	(522)	(314)	(45)

20.3 Reconciliation of assets and liabilities arising from financing activities

(\$ millions)	Financial Liabilities			
	Non-current financial debts	Current financial debts	Non-current lease liabilities	Current lease liabilities
January 1, 2022	3,966	114	339	67
Proceeds from non-current financial debts, net of issuance costs	1,815	—		
Repayment of non-current financial debts	(1,176)	—		
Proceeds from 2022 Bridge Loan Facility, net of issuance costs	—	771		
Repayment of 2022 Bridge Loan Facility	—	(775)		
Impact from business combination	—	316	22	5
Repayment of financial debts assumed in acquisition of business	—	(316)		
Additions to leases			68	13
Impact of asset acquisitions			2	1
Change in current financial debts	—	(42)		
Amortization of discounts on financial debts	1	—		
Payments of lease liabilities, net			—	(69)
Interest payments for amounts included in lease liabilities classified as cash flows from operating activities			—	(15)
Changes in fair values and other non-cash changes, net	5	8	(2)	13
Currency translation effects	(23)	(16)	(10)	(4)
Reclassification from non-current to current	(47)	47	(60)	60
December 31, 2022	4,541	107	359	71

(\$ 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

20.4 Additional disclosure of non-cash investing and financing activity

(\$ millions)	2022	2021	2020
Treasury stock issued for settlement of equity-based compensation plan, net of withholding taxes	128	63	54
Non-cash additions of right-of-use assets in exchange for a lease liability	81	115	107
Non-cash additions of property, plant & equipment	62	52	83
Non-cash additions of intangible assets	105	6	33

21. Acquisitions

21.1 Acquisition of business

Fair value of assets and liabilities arising from acquisition of business

The below table summarizes the preliminary purchase price allocation for business combinations for the years ended December 31, 2022, 2021 and 2020.

(\$ millions)	2022	2021	2020
Property, plant and equipment	27	—	—
Right-of-use assets	29	—	—
Currently marketed products	850	—	—
Acquired in-process research & development	175	—	—
Deferred tax assets	189	—	—
Inventories	49	—	—
Trade receivables	70	—	—
Short-term investments	79	—	—
Cash and cash equivalents	78	—	—
Other assets	15	—	—
Lease liabilities	(27)	—	—
Deferred tax liabilities	(255)	—	—
Provisions and other non-current and current liabilities	(235)	—	—
Current income tax liabilities	(46)	—	—
Trade payables	(3)	—	—
Financial debts	(316)	—	—
Net identifiable assets acquired	679	—	—
Goodwill	65	—	—
Total purchase consideration	744	—	—
Acquired liquidity	(78)	—	—
Net assets recognized as a result of business combinations	666	—	—

Vision care - Acquisition of Aerie Pharmaceuticals, Inc.

On November 21, 2022, Alcon acquired 100% of the outstanding shares and equity of Aerie, a pharmaceutical company focused on the discovery, development, manufacturing and commercialization of first-in-class ophthalmic therapies. The acquisition includes with the business among other assets, two commercial pharmaceutical ophthalmic eye drop products, *Rocklatan* and *Rhopressa*, as well as AR-15512, a Phase 3 product candidate for dry eye disease, and a pipeline of several ophthalmic pharmaceutical product candidates. This transaction helps bolster Alcon's presence in the ocular health space with its portfolio of commercial products and development pipeline within the Vision Care reportable segment. Pursuant to the terms of the Agreement and Plan of Merger, Alcon paid \$15.25 per share to acquire all outstanding shares of Aerie. The total purchase consideration amounted to \$744 million and total cash paid for the net identifiable assets recognized, net of cash acquired, was \$666 million.

The fair values of the acquired assets and assumed liabilities are provisional pending final measurement of the purchase consideration.

The short-term investments were liquidated subsequent to the acquisition.

Provisions and other non-current liabilities include a contingent liability of \$57 million recognized upon the acquisition of Aerie in 2022 related to uncertainty associated with potential contractual payment obligations in the event patents are issued in certain international markets, which may prevent commercialization of *Rocklatan* and *Rhopressa* in those markets. The estimated potential undiscounted amount and timing of all future payments that Alcon could be required to make is \$71 million in 2027. As of December 31, 2022, there has been no change in the amount recognized for the liability, except for the unwinding of the discount of \$0.3 million, as there has been no change in the assumptions.

The goodwill is attributable to assembled workforce and pharmaceutical research and development capabilities, including early stage compounds under development. The goodwill is not deductible for tax purposes.

Direct acquisition costs of \$20 million were recognized in Other expense in the Consolidated Income Statement during 2022 and were reported in operating cash flows in the Consolidated Statement of Cash Flows.

Post-acquisition net sales and net loss attributable to Aerie

For the period from the date of the Aerie acquisition, November 21, 2022, through December 31, 2022, the acquired business increased Alcon's 2022 net sales by \$16 million and reduced Alcon's 2022 net income by \$32 million.

Unaudited Alcon consolidated pro forma net sales and net income

If the Aerie acquisition had occurred on January 1, 2022, unaudited consolidated pro forma net sales and net income for the twelve months ended December 31, 2022 would have been approximately \$8,776 million and \$192 million, respectively. This pro forma information is presented for illustrative purposes only and may not be indicative of the results of operations that would have actually occurred. In addition, future results may vary significantly from the results reflected in the pro forma information. These estimated amounts have been calculated using Aerie's results of operation beginning January 1, 2022 and adjusting them for:

- alignment of the accounting policies between Alcon and Aerie;
- additional amortization that would have been charged assuming the fair value adjustments to inventories and intangible assets had been applied from January 1, 2022;
- add back of interest expense from Aerie's convertible senior notes to pro forma net income assuming senior notes would have been repaid on January 1, 2022;
- additional interest expense that would have been recorded assuming the Series 2032 Notes and Series 2052 Notes were issued on January 1, 2022 to the extent the proceeds were used to refinance the 2022 Bridge Loan Facility;
- exclusion of Aerie's pre-acquisition transaction costs; and
- tax effects of the above adjustments.

21.2 Acquisitions of assets

The below table summarizes the purchase price allocation for asset acquisitions for the years ended December 31, 2022, 2021 and 2020.

(\$ millions)	2022	2021	2020
Currently marketed products	385	—	—
Acquired in-process research & development	10	—	—
Other intangible assets (including software)	12	—	—
Deferred tax assets	57	—	—
Trade receivables	10	—	—
Inventory	16	—	—
Cash and cash equivalents	4	—	—
Other assets	6	—	—
Trade payables and other liabilities	(11)	—	—
Net identifiable assets acquired	489	—	—
Acquired liquidity	(4)	—	—
Net assets recognized as a result of asset acquisitions	485	—	—

During 2022, cash paid for acquisitions, net of cash acquired, was \$485 million, the most significant of which was \$477 million paid for Ivantis, Inc., described below.

Surgical - Acquisition of Ivantis, Inc.

On January 7, 2022, Alcon acquired 100% of the outstanding shares and equity of Ivantis, Inc., a privately-held, US-based company and manufacturer of the *Hydrus* Microstent, a minimally-invasive glaucoma surgery ("MIGS") device designed to lower intraocular pressure for open-angle glaucoma patients. The acquisition expands Alcon's surgical portfolio and is expected to help provide a platform for more growth in the glaucoma space. Pursuant to the terms and subject to the conditions of the Option Agreement and Plan of Merger, as amended, Alcon agreed to pay total upfront consideration of \$479 million and additional amounts to be potentially paid upon achievement of a development milestone and commercial milestones calculated as a percentage of sales in excess of defined targets that expire in calendar year 2024.

The acquisition was accounted for as an asset acquisition rather than a business combination as substantially all of the fair value of the gross assets acquired is concentrated in the value of the *Hydrus* Microstent commercially marketed product intangible assets, being a group of identifiable assets. Consequently, a relative fair value approach was taken for allocating the consideration to the acquired assets and liabilities with no goodwill recognized.

During 2022, total cash paid for the acquisition, net of cash acquired, was \$477 million. Direct acquisition costs of \$2 million were capitalized.

22. Post-employment benefits for associates

Defined benefit plans

In addition to the legally required social security schemes, Alcon has sponsored numerous independent pension and other post-employment benefit plans. In most cases, these plans are externally funded in entities that are legally separate from Alcon. For certain subsidiaries, however, no independent plan assets exist for the pension and other post-employment benefit obligations of associates. In these cases the related unfunded liability is included in the Consolidated Balance Sheet. The value of the post-employment benefits promised under the pension and other post-employment benefit plans is represented by the defined benefit obligation ("DBO"), which is measured based on the projected unit credit method ("PUC"). Independent actuaries reappraise the DBOs of all major pension and other post-employment benefit plans annually. Plan assets are recognized at fair value.

The major pension and other post-employment benefit plans are based in Switzerland, the United States, Germany, and the United Kingdom. As of December 31, 2022, these plans represent 88% of Alcon's total DBO and are independently sponsored by Alcon. Details of the plans in those significant countries are provided below.

The pension plans in Switzerland represent the most significant portion of Alcon's total pension DBO and the largest component of Alcon's total plan assets. The principal plan in Switzerland is funded and open for new joiners. For the Swiss pension plan, active insured members' benefits are partially linked to the contributions paid into the plan. Certain features of the Swiss pension plan required by law preclude the plan from being categorized as a defined contribution plan. These factors include a minimum interest guarantee on retirement savings accounts, a pre-determined factor for converting the accumulated savings account balance into a pension and embedded death and disability benefits. All benefits granted under a Swiss-based principal pension plan are vested, and Swiss legislation prescribes that the employer has to contribute a fixed percentage of an associate's pay to an external pension foundation. Additional employer contributions may be required whenever the foundation's statutory funding ratio falls below a certain level. The associate also contributes to the plan.

Alcon's Swiss pension obligation is set-up under an Alcon-sponsored arrangement affiliated with Copré La Collective de Prévoyance ("Copré") – a Swiss collective foundation. As a collective foundation, Copré is governed by its own board of trustees which is responsible for the foundation regulations and asset investment strategy for multiple entities participating in the collective foundation. Alcon maintains its own pension committee, consisting of representatives nominated by Alcon and the active insured associates. During the fourth quarter of 2021, Copré announced the rates to be used to convert participant balances to pension annuities for 2024 to 2026. This announcement resulted in a plan amendment with a benefit of \$15 million recognized in Other income and a corresponding decrease in the DBO. During the third quarter of 2020, the selection of Copré resulted in a plan amendment with past service costs of \$12 million recognized in Other expense and a corresponding increase in the DBO.

The United States pension plans represent the second largest component of Alcon's total pension DBO and the third largest component of Alcon's total plan assets. The principal plan (Qualified Plan) is funded, whereas the plans providing additional benefits for executives (Defined Benefit Restoration Plan and Grandfathered Supplemental Executive Plan) are

unfunded. Benefits in the Qualified Plan and Restoration Plan are frozen for all participants. Employer contributions are required for the Qualified Plan whenever the statutory funding ratio falls below a certain level. Furthermore, the United States other post-employment benefit plans (US OPEB plans) represent 99% of the total DBO for other post-employment benefit plans. These benefits in the US primarily consist of post-employment healthcare which has been closed to new members since 2015. Effective January 1, 2021, the Alcon sponsored group health plan for current and future eligible retired participants age 65 and over was changed to a private Medicare marketplace while providing an annual notional contribution to a Health Reimbursement Account for each covered member and spouse. The impact of the plan amendment in the fourth quarter of 2020 was a benefit of \$164 million recognized in Other income and a corresponding decrease in the DBO in Provisions and other non-current liabilities. There is no statutory funding requirement for the US OPEB plans.

The major pension arrangements in Germany are governed by the Occupational Pensions Act ("BetrAVG") and represent the third largest component of Alcon's total pension DBO and the fifth largest component of Alcon's total plan assets. The plans are partly funded by a Contractual Trust arrangement or direct insurances. The employer is responsible for contributing the premiums to the insurances and paying certain benefits when they fall due. All plans are closed for new entrants and the benefits are fully vested for all participants. For some participants the benefits are based on final salary and length of employment, and for others the benefit is earned each year based on the current salary in the year of service. Associates do not contribute towards the cost of the benefits.

The pension plan in the United Kingdom represents the fourth largest component of Alcon's total pension DBO and the second largest component of Alcon's total plan assets. The plan is closed with only former Alcon associates entitled to current or future benefits. The Alcon United Kingdom Pension Scheme is governed and administered by a board of trustees in accordance with its Trust Deed. United Kingdom legislation requires that pension schemes are funded prudently (i.e., to a level in excess of the "best estimate" expected cost of providing benefits). Funding is assessed on a triennial basis using (prudent) assumptions agreed by the board of trustees and Alcon. The board of trustees is responsible for jointly agreeing with Alcon the level of contributions needed to eliminate any shortfall over a reasonable period of time, typically not exceeding 10 years. Under the governing documentation, if a surplus remains once liabilities have been settled it would be refunded to Alcon.

Alcon has two pension plans with a surplus that is not recognized on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund.

The following tables summarize the funded and unfunded DBO for pension and other post-employment benefit plans of Alcon associates at December 31, 2022 and 2021:

(\$ millions)	Pension plans		Other post-employment benefit plans	
	2022	2021	2022	2021
Benefit obligation at January 1	791	817	300	332
Current service cost	20	24	8	10
Interest cost	12	9	8	7
Past service costs and settlements	(3)	(38)	—	—
Administrative expenses	2	1	—	—
Remeasurement (gains) arising from changes in financial assumptions	(185)	(22)	(62)	(12)
Remeasurement (gains)/losses arising from changes in demographic assumptions	(15)	—	—	1
Remeasurement losses/(gains) arising from experience-related changes	3	67	(19)	(25)
Currency translation effects	(31)	(35)	—	—
Benefit payments	(36)	(37)	(18)	(17)
Contributions of associates	5	5	4	4
Benefit obligation at December 31	563	791	221	300
Fair value of plan assets at January 1	541	519	—	—
Interest income	8	6	—	—
Return on plan assets excluding interest income	(93)	49	—	—
Currency translation effects	(27)	(18)	—	—
Employer contributions	19	23	14	13
Contributions of associates	5	5	4	4
Settlements	—	(20)	—	—
Benefit payments	(36)	(37)	(18)	(17)
Effect of acquisitions, divestments or transfers	—	14	—	—
Fair value of plan assets at December 31	417	541	—	—
Funded status	(146)	(250)	(221)	(300)
Limitation on recognition of fund surplus at January 1	(20)	(17)		
Change in limitation on recognition of fund surplus (including exchange rate differences)	(1)	(3)		
Limitation on recognition of fund surplus at December 31	(21)	(20)		
Net liability in the balance sheet at December 31	(167)	(270)	(221)	(300)

The reconciliation of the net liability from January 1 to December 31 is as follows:

(\$ millions)	Pension plans		Other post-employment benefit plans	
	2022	2021	2022	2021
Net liability at January 1	(270)	(315)	(300)	(332)
Current service cost	(20)	(24)	(8)	(10)
Net interest expense	(4)	(3)	(8)	(7)
Administrative expenses	(2)	(1)	—	—
Past service costs and settlements	3	18	—	—
Remeasurements	104	4	81	36
Currency translation effects	4	17	—	—
Employer contributions	19	23	14	13
Effect of acquisitions, divestments or transfers	—	14	—	—
Change in limitation on recognition of fund surplus	(1)	(3)	—	—
Net liability at December 31	(167)	(270)	(221)	(300)

Amounts recognized in the balance sheet

Prepaid benefit cost	8	25	—	—
Accrued benefit liability	(175)	(295)	(221)	(300)

The following tables provide detail of the DBO for pension plans by geography and type of member and of plan assets based on the geographical locations in which they are held:

(\$ millions)	2022					Total
	Switzerland	United States	Germany	United Kingdom	Rest of the world	
By type of member						
Active	(207)	(32)	(38)	—	(79)	(356)
Deferred pensioners	(6)	(28)	(18)	(33)	(9)	(94)
Pensioners	(23)	(35)	(21)	(25)	(9)	(113)
Benefit obligation at December 31	(236)	(95)	(77)	(58)	(97)	(563)
Thereof: unfunded plans	35	24	—	—	19	78
Thereof: unfunded portion of funded plans	26	7	60	—	4	97
Prepaid benefit costs and assets subject to limitation on recognition of fund surplus	—	—	—	(6)	(23)	(29)
Fair value of plan assets at December 31	175	64	17	64	97	417
Funded status	(61)	(31)	(60)	6	—	(146)

	2021					
(\$ millions)	Switzerland	United States	Germany	United Kingdom	Rest of the world	
By type of member					Total	
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)

The following table shows the principal weighted average actuarial assumptions used for calculating defined benefit plans and other post-employment benefits of Alcon associates:

	Pension plans		Other post-employment benefit plans	
	2022	2021	2022	2021
Discount rate	3.6 %	1.4 %	5.3 %	2.7 %
Expected rate of pension increase	1.1 %	1.1 %		
Expected rate of salary increase	2.5 %	2.2 %		
Interest on savings account	2.9 %	1.3 %		
Current average life expectancy for a 65-year-old male (in years)	20	20	21	21
Current average life expectancy for a 65-year-old female (in years)	22	22	23	23

The following table shows additional details related to the weighted average discount rates for the principal plan for each significant country:

	Pension plans		Other post-employment benefit plans	
	2022	2021	2022	2021
Switzerland	2.2 %	0.2 %		
United States	5.3 %	2.8 %	5.3 %	2.7 %
Germany	3.7 %	1.2 %		
United Kingdom	4.8 %	1.9 %		

Changes in the aforementioned actuarial assumptions can result in significant volatility in the accounting for pension plans and other post-employment benefit plans in the Consolidated Financial Statements. This can result in substantial changes in Alcon's other comprehensive income, non-current liabilities and prepaid pension assets.

The DBO is significantly impacted by assumptions related to the rate used to discount the actuarially determined post-employment benefit liability. This rate is based on yields of high-quality corporate bonds in the country of the plan. Increasing corporate bond yields increase the discount rate. An increase in the discount rate results in a decrease in the DBO and an increase in the funded status.

The impact of increasing interest rates on a plan's assets is more difficult to predict. A significant part of plan assets is invested in bonds. Bond values typically are inversely correlated to interest rates. Bond values usually decrease when interest rates rise and may therefore partially offset the increase in the funded status. Furthermore, pension assets also

include significant holdings of equity instruments. Share prices tend to fall when interest rates increase and therefore often offset the positive impact of the decreasing DBO on the funded status (although the correlation of interest rates with returns on equities is not as strong as with bonds, especially in the short term).

The assumption for the expected rate for pension increases significantly affects the DBO of most plans in Switzerland, Germany and the United Kingdom. While the average rate remained flat in the current year at 1.1%, such pension increases generally decrease the funded status, although there is no strong correlation between the value of the plan assets and pension/inflation increases.

Assumptions regarding life expectancy significantly impact the DBO. While the life expectancy assumption remained flat in the current year, generally an increase in longevity increases the DBO. There is no offsetting impact from the plan assets, as no longevity bonds or swaps are held by the pension funds. Generational mortality tables are used where this data is available.

The following table shows the sensitivity of the defined benefit pension and other post-employment benefit obligations to the principal actuarial assumptions as of December 31, 2022:

(\$ millions)	(Decrease)/increase in 2022 year-end liability
25 basis point increase in discount rate	(22)
25 basis point decrease in discount rate	23
1 year increase in life expectancy	14
25 basis point increase in rate of pension increase	6
25 basis point decrease in rate of pension increase ⁽¹⁾	(3)
25 basis point increase of interest on savings account	2
25 basis point decrease of interest on savings account	(3)
25 basis point increase in rate of salary increase	3
25 basis point decrease in rate of salary increase	(3)

(1) Decrease in rate of pension increase is limited to zero.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes of the assumptions may be correlated. When calculating the sensitivity of the DBO to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the PUC method at the end of the reporting period) has been applied as when calculating the net liability recognized in the Consolidated Balance Sheet.

The healthcare cost trend rate assumptions used for other post-employment benefits are as follows:

	2022	2021	2020
Healthcare cost trend rate assumed for next year	6.3 %	6.2 %	6.2 %
Rate to which the cost trend rate is assumed to decline	4.5 %	4.5 %	4.5 %
Year that the rate reaches the ultimate trend rate	2030	2029	2028

The following table shows the weighted average plan asset allocation of funded defined benefit pension plans at December 31, 2022, and 2021:

(as a percentage)	Pension plans			
	Long-term target minimum	Long-term target maximum	2022	2021
Equity securities	15	40	37	35
Debt securities	20	60	34	40
Real estate	5	20	14	11
Alternative investments	0	20	12	11
Cash and other investments	0	15	3	3
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 11.6 years and 15.5 years as of December 31, 2022 and December 31, 2021, respectively.

Alcon's ordinary contribution to the various pension plans is based on the rules of each plan and its respective country. Additional contributions are made whenever required by local statute or law (i.e., usually when statutory funding levels fall below predetermined thresholds).

The following table summarizes expected future cash flows for pension and other post-employment benefit plans as of December 31, 2022:

(\$ millions)	Pension plans		Other post-employment benefit plans
	Employer contributions	Expected future benefit payments	
2023 (estimated)			11
Expected future benefit payments			—
2023		36	16
2024		43	18
2025		40	19
2026		34	20
2027		32	20
2028-2032		193	97

Defined contribution plans

In many countries, associates are covered by defined contribution plans. Contributions charged to the 2022 Consolidated Income Statement for the defined contribution plans were \$144 million (2021: \$133 million; 2020: \$136 million).

23. Equity-based compensation

For the year ended December 31, 2022, Alcon recorded equity-based compensation expense of \$152 million (2021: \$151 million, 2020: \$113 million).

Liabilities from cash-settled equity-based compensation plans were \$12 million as of December 31, 2022 (\$14 million as of December 31, 2021).

At December 31, 2022, Alcon has various equity-based incentive plans, under which Alcon may grant awards in the form of restricted stock units ("RSUs"), performance-based restricted stock units ("PSUs"), restricted stock awards ("RSAs"), or any other form of award at the discretion of the Company's Board of Directors. Certain associates in select countries may also participate in share ownership savings plans.

Summary of unvested share movements

The below table summarizes unvested share movements for all Alcon equity-based incentive plans through December 31, 2022 and 2021:

	2022			2021		
	Number of shares in thousands	Weighted average fair value at grant date in \$	Fair value at grant date in \$ millions	Number of shares in thousands	Weighted average fair value at grant date in \$	Fair value at grant date in \$ millions
Unvested shares at January 1	5,627	60.96	343	5,417	54.90	297
Granted						
Restricted awards	1,453	76.61	111	1,456	72.05	105
Performance awards	518	74.48	39	429	72.71	31
Vested	(2,447)	55.48	(136)	(1,258)	50.94	(64)
Forfeited	(358)	71.74	(26)	(417)	62.50	(26)
Unvested shares at December 31	4,793	69.16	331	5,627	60.96	343

The remaining weighted-average vesting period of unvested equity-based awards as of December 31, 2022 was 1.2 years.

Equity-based incentive plans

The below table summarizes the number of shares authorized under the plans as of December 31, 2022:

(thousands)	Authorized shares
Long-term Incentive Plan	20,000
Deferred Bonus Stock Plan ⁽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 certain senior-level associates no longer include deferrals of compensation in the form of equity-based awards subject to the provisions of this plan. No grants were issued under this plan in 2022 and 2021.

Long-term Incentive Plan ("LTIP") - Restricted Stock Units and Restricted Stock Awards

Under Alcon's LTIP, certain associates may receive grants of RSUs and RSAs (together "Restricted awards"). The awards generally vest on the third anniversary of the award and are generally forfeited if the employment relationship with Alcon terminates prior to vesting. Recipients of RSU awards do not have any shareholder rights, such as voting or dividend rights, until the shares are delivered. Alcon associates receiving grants of RSAs are entitled to the dividends that may be declared and paid over the vesting period only if the associates vest in such award.

LTIP - Performance Stock Units

The Alcon CEO and certain senior-level associates participate in Alcon's long-term performance program. PSUs granted under the LTIP each convert to one unrestricted Alcon Inc. share at vesting, subject to the achievement of performance measures.

PSUs awarded to plan participants are granted at target incentive ranges from 35% to 430% of base compensation and vest over a three-year period. The payout between 0% and 200% of target is dependent upon four equally weighted performance metrics which are determined at the onset of the performance period by the Company's Board of Directors. The metrics include compound annual growth rate of Net sales, compound annual growth rate of core EPS, market share of peers, and innovation. The Company's Board of Directors and the Compensation Committee assess the performance against the defined measures, including input from the Innovation Committee for the innovation metric, and approve the final payout. PSUs granted under the performance plan do not carry voting rights, but do carry dividend equivalents that are paid in cash or Alcon Inc. shares at vesting, provided participants remain associates of Alcon.

Swiss Employee Share Ownership Plan and other share savings plans

Alcon associates in certain countries are encouraged to invest in share savings plans. Under the share savings plans, participants may elect to receive some of their wages or annual incentives in Alcon Inc. shares in lieu of cash. Subject to plan rules and limitations, as a reward for their participation in the share savings plans, at no additional cost to the participant, Alcon may partially match their investments in shares after a holding period of 3 years.

24. Related parties transactions

Executive officers

The following table summarizes compensation information for key management personnel:

(\$ millions)	2022	2021	2020
Cash and other compensation	18.7	19.3	12.8
Post-employment benefits	0.9	0.9	1.1
Equity-based compensation	22.4	20.9	9.2
Total	42.0	41.1	23.1

25. Commitments and contingencies

Commitments

Research & development

Alcon has entered into long-term research agreements with various institutions which provide for potential milestone payments and other payments by Alcon that may be capitalized. As of December 31, 2022, the commitments to make payments under those agreements, and their estimated timing, were as follows:

(\$ millions)	2022
2023	6
2024	18
2025	24
2026	3
2027	41
Thereafter	83
Total	175

Other

Alcon entered into various purchase commitments for services and materials as well as for equipment in the ordinary course of business. These commitments are generally entered into at current market prices and reflect normal business operations. For disclosure of Property, plant and equipment purchase commitments, see Note 8.

Contingencies

The Alcon companies have to observe the laws, government orders and regulations of the country in which they operate.

A number of Alcon companies are, and will likely continue to be, subject to various legal proceedings and investigations that arise from time to time, including proceedings regarding product liability, sales and marketing practices, commercial disputes, employment, wrongful discharge, antitrust, securities, health and safety, environmental, tax, international trade, privacy, intellectual property including under the Hatch-Waxman Act, and anti-bribery matters such as those under the FCPA, as amended. As a result, Alcon may become subject to substantial liabilities that may not be covered by insurance and could affect Alcon's business, financial position and reputation. While Alcon does not believe that any of these legal proceedings will have a material adverse effect on its financial position, litigation is inherently unpredictable and large judgments sometimes occur. As a consequence, Alcon may in the future incur judgments or enter into settlements of claims that could have a material adverse effect on its results of operations or cash flow.

Governments and regulatory authorities around the world have been stepping up their compliance and law enforcement activities in recent years in key areas, including marketing practices, pricing, corruption, trade restrictions, embargo legislation, insider trading, antitrust, cyber security and data privacy. Further, when one government or regulatory authority undertakes an investigation, it is not uncommon for other governments or regulators to undertake investigations regarding the same or similar matters. Responding to such investigations is costly and requires an increasing amount of management's time and attention. In addition, such investigations may affect Alcon's reputation, create a risk of potential exclusion from government reimbursement programs in the United States and other countries, and may lead to (or arise from) litigation. These factors have contributed to decisions by Alcon and other companies in the healthcare industry, when deemed in their interest, to enter into settlement agreements with governmental authorities around the world prior to any formal decision by the authorities or a court. Those government settlements have involved and may continue to involve, in current government investigations and proceedings, large cash payments, sometimes in the hundreds of millions of dollars or more, including the potential repayment of amounts allegedly obtained improperly and other penalties, including treble damages. In addition, settlements of government healthcare fraud cases often require companies to enter into corporate integrity agreements, which are intended to regulate company behavior for a period of years. Also, matters underlying governmental investigations and settlements may be the subject of separate private litigation.

While provisions have been made for probable losses, which management deems to be reasonable or appropriate, there are uncertainties connected with these estimates. Note 18 contains additional information on these matters.

Alcon is involved in legal proceedings concerning intellectual property rights. The inherent unpredictability of such proceedings means that there can be no assurances as to their ultimate outcome. A negative result in any such proceeding could potentially adversely affect the ability of certain Alcon companies to sell their products, or require the payment of substantial damages or royalties.

Alcon's potential for environmental remediation liability is assessed based on a risk assessment and investigation of the various sites identified by Alcon as at risk for environmental remediation exposure. Alcon's future remediation expenses are affected by a number of uncertainties. These uncertainties include, but are not limited to, the method and extent of remediation, the percentage of material attributable to Alcon at the remediation sites relative to that attributable to other parties, and the financial capabilities of the other potentially responsible parties.

Alcon has no significant environmental liabilities as at December 31, 2022 and 2021 and has incurred no significant remediation costs for the years ended December 31, 2022, 2021 and 2020.

26. Subsequent events

On February 14, 2023, three local bilateral facilities in Japan with commitments totaling \$170 million (JPY22.5 billion) maturing in February 2023 were refinanced by three facilities with two year maturities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

Refer to Note 18 to these Consolidated Financial Statements for information on any updates to significant legal proceedings subsequent to December 31, 2022.

On February 27, 2023, the Company's Board of Directors (the "Board") approved the proposal to submit the 2022 financial statements of Alcon Inc. and these Consolidated Financial Statements for approval at the Annual General Meeting on May 5, 2023. Additionally on February 27, 2023, the Board proposed a dividend of CHF 0.21 per share to be approved at the same Annual General Meeting. If approved by the shareholders, the total dividend payments would amount to a maximum of approximately \$113 million using the CHF/USD exchange rate as of February 21, 2023.

The Board has evaluated subsequent events as they relate to Alcon for potential recognition or disclosures from January 1, 2023 to the date of the approval of these Consolidated Financial Statements and has determined there are no additional subsequent events to be reported in these Consolidated Financial Statements.

27. Alcon subsidiaries

The following table lists the subsidiaries of Alcon Inc. with Total assets or Net sales to third parties in excess of \$5 million included in the Consolidated Financial Statements at and for the year ended December 31, 2022, respectively. The equity interest percentage shown in the table represents Alcon's share in voting rights in those entities. Unless otherwise stated, each entity has share capital consisting of equity held directly by the Company or another of its consolidated subsidiaries.

Country of organization/Entity name	Place of business	Equity interest
Argentina		
Alcon Laboratorios Argentina S.A.	Buenos Aires	100 %
Australia		
Alcon Laboratories (Australia) Pty Ltd	Macquarie Park	100 %
Austria		
Alcon Ophthalmika GmbH	Wien	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 %
Aerie Pharmaceuticals Ireland Limited	Athlone	100 %
Israel		
Optonol Ltd.	Neve-Ilan	100 %
Italy		
Alcon Italia S.p.A.	Milano	100 %
Japan		
Alcon Japan Ltd.	Tokyo	100 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

Country of organization/Entity name	Place of business	Equity interest
Malaysia		
Alcon Laboratories (Malaysia) Sdn. Bhd.	Petaling Jaya	100 %
CIBA Vision Johor Sdn. Bhd.	Johor	100 %
Mexico		
Alcon Laboratorios, S.A. de C.V.	Ciudad de Mexico	100 %
Netherlands		
Alcon Finance B.V.	Amsterdam	100 %
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 Lda.	Porto Salvo	100 %
Puerto Rico		
Alcon (Puerto Rico), Inc.	Cataño, PR	100 %
Romania		
Alcon Romania S.R.L.	Bucharest	100 %
Russian Federation		
Alcon Farmacevtika 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 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF ALCON INC. (Continued)

Country of organization/Entity name	Place of business	Equity interest
United Kingdom		
Alcon Eye Care UK Limited	Frimley/Camberley	100 %
United States of America		
Aerie Distribution, Inc.	Fort Worth, TX	100 %
Aerie Pharmaceuticals, Inc.	Fort Worth, TX	100 %
Alcon Finance Corporation	Fort Worth, TX	100 %
Alcon Laboratories, Inc.	Fort Worth, TX	100 %
Alcon RefractiveHorizons, LLC	Fort Worth, TX	100 %
Alcon Research, LLC	Fort Worth, TX	100 %
Alcon Vision, LLC	Fort Worth, TX	100 %
CIBA Vision, LLC	Fort Worth, TX	100 %
WaveLight, Inc.	Fort Worth, TX	100 %
Ivantis, Inc.	Fort Worth, TX	100 %
MDBackline, Inc.	Fort Worth, TX	100 %
PowerVision, Inc.	Fort Worth, TX	100 %
Tear Film Innovations, Inc.	Fort Worth, TX	100 %
TrueVision Systems, Inc.	Fort Worth, TX	100 %
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, 2022 and 2021, 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, 2022, 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, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 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, 2022, 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 2 and 9 to the consolidated financial statements, as of December 31, 2022 the Company had \$9.0 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 of the fair value less costs of disposal involve significant judgment by management and include assumptions with measurement uncertainty, such as the amount and timing of projected cash flows, long-term sales forecasts, terminal growth rate, discount rate, and additionally for the Alcon brand name, royalty rate.

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 estimating the fair value less costs of disposal, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating, for (i) goodwill, management's significant assumptions related to long-term sales forecasts and discount rate, and (ii) the Alcon brand name, management's significant assumptions related to long-term sales forecasts, discount rate and royalty rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill and the Alcon brand name impairment assessments, including controls over the estimation of the fair value less costs of disposal. These procedures also included, among others, testing management's process for developing the fair value less costs of disposal estimates; evaluating the appropriateness of the estimates; testing the completeness and accuracy of underlying data used; and evaluating the significant assumptions used by management related to long-term sales forecasts, discount rates and royalty rate. Evaluating management's assumptions related to long-term sales forecasts involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the business, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of management's valuation method and the discount rate and royalty rate significant assumptions.

In-Process Research and Development Intangible Asset Impairment Assessments

As described in Notes 2 and 9 to the consolidated financial statements, as of December 31, 2022 the Company had \$739 million of in-process research and development (IPR&D) intangible assets. IPR&D is evaluated for potential impairment on an annual basis or when facts and circumstances warrant. IPR&D is considered impaired when its carrying amount exceeds its estimated recoverable amount, which is defined as the higher of its fair value less costs of disposal and its value in use. Usually, management applies the fair value less costs of disposal method for its impairment assessments. Under this approach, fair value less costs of disposal is estimated using net present value techniques utilizing post-tax cash flows and discount rates as there are no direct or indirect observable prices in active markets for identical or similar assets. The estimates of fair value less cost of disposal involve significant judgment by management and include assumptions with measurement uncertainty, such as the amount and timing of projected cash flows, long-term sales forecasts, discount rate and the timing and probability of success.

The principal considerations for our determination that performing procedures relating to the IPR&D intangible asset impairment assessment is a critical audit matter are the significant judgment by management when estimating the fair

value less costs of disposal, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant assumptions related to long-term sales forecasts, discount rates and probabilities of success. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's IPR&D intangible asset impairment assessments, including controls over the estimation of the fair value less costs of disposal. These procedures also included, among others, testing management's process for developing the fair value less costs of disposal estimates; evaluating the appropriateness of the estimates; testing the completeness and accuracy of underlying data used; and evaluating the significant assumptions used by management related to long-term sales forecasts, discount rates and probabilities of success. Evaluating management's assumptions related to long-term sales forecasts and probabilities of success involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the business, and (ii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Evaluating management's assumption related to long-term sales forecasts also involved considering consistency with external market and industry data. Professionals with specialized skill and knowledge were used to assist in the evaluation of management's valuation method and the discount rates significant assumption.

Valuation of Intangible Assets Acquired in the Aerie Pharmaceuticals, Inc. Business Combination

As described in Notes 2, 3 and 21 to the consolidated financial statements, the Company completed the acquisition of Aerie Pharmaceuticals, Inc. ("Aerie") for consideration of \$744 million and assumed debt of \$316 million in November 2022, which resulted in \$850 million of definite lived intangible assets and a \$175 million IPR&D intangible asset being recorded. Management primarily uses net present value techniques, utilizing post-tax cash flows and discount rates in estimating the fair value of identifiable intangible assets acquired when allocating the purchase consideration paid for the acquisition. The estimates of the fair value of identifiable intangible assets involve significant judgment by management and include assumptions with measurement uncertainty, such as the amount and timing of projected cash flows, long-term sales forecasts, discount rate, and additionally for the IPR&D intangible asset, the timing and probability of success.

The principal considerations for our determination that performing procedures relating to the valuation of intangible assets acquired in the Aerie Pharmaceuticals, Inc. business combination is a critical audit matter are the significant judgment by management when developing the fair value estimate of the intangible assets acquired, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating for (i) definite lived intangible assets, management's significant assumptions related to long-term sales forecasts and discount rate, and (ii) the IPR&D intangible asset, management's significant assumptions related to long-term sales forecasts, discount rate and probability of success. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the acquisition accounting, including controls over management's valuation of the intangible assets. These procedures also included, among others (i) reading the purchase agreement and (ii) testing management's process for estimating the fair value of the intangible assets. Testing management's process included evaluating the appropriateness of the valuation methods, testing the completeness and accuracy of certain of the data used in the models and provided by management, and evaluating the reasonableness of significant assumptions used by management related to long-term sales forecasts, discount rate and probability of success. Evaluating management's assumptions related to long-term sales forecasts and probability of success involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the acquired business, and (ii) whether the assumption was consistent with evidence obtained in other areas of the audit. Evaluating management's assumptions related to long-term sales forecasts also involved considering the consistency with external market and industry data. Professionals with specialized skill and knowledge were used to assist in the evaluation of management's valuation method and the discount rate significant assumption.

/s/ PricewaterhouseCoopers LLP

Fort Worth, Texas

February 27, 2023

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, 2022 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, 2022, the share capital of Alcon Inc. was CHF 19,988,000, fully paid-in and divided into 499,700,000 registered shares, each with a nominal value of CHF 0.04.

The Company has a single class of shares, being registered shares in the form of uncertificated securities (in the sense of the Swiss CO). A portion of these uncertificated shares is issued as intermediated securities (*titres intermédiaires*) 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. As of December 31, 2022, under the Swiss CO, 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.

As of December 31, 2022, 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.

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

As of December 31, 2022, 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.

INDENTURE

SEPTEMBER 23, 2019

Among

**Alcon Finance Corporation
as Company**

**Alcon Inc.
as Guarantor**

and

**Citibank, N.A.
as Trustee, Paying Agent, Authenticating Agent, and Registrar**

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INDENTURE dated as of September 23, 2019

AMONG:

- (1) **Alcon Finance Corporation**, a corporation organized under the laws of the State of Delaware (the **Company**);
- (2) **Alcon Inc.**, a Swiss corporation (*Aktiengesellschaft*) incorporated in the Canton of Fribourg (the **Guarantor**); and
- (4) **Citibank, N.A.**, a corporation organized under the laws of the State of New York, as trustee (the **Trustee**).

RECITALS:

WHEREAS:

- (A) Alcon Finance Corporation has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its debt securities (the **Securities**), which are to be issued in one or more series up to such principal amount or amounts as may from time to time be authorized in accordance with the terms of this Indenture;
- (B) The Guarantor has duly authorized the execution and delivery of this Indenture to provide for its guarantee of the Securities; and
- (C) All things necessary to make this Indenture a valid agreement of Alcon Finance Corporation and the Guarantor, in accordance with its terms, have been done;
- (D) For the purpose of this Indenture, the **Company** means Alcon Finance Corporation, in its capacity as issuer of the Securities, until a successor replaces such party pursuant to Article 5 of this Indenture, and thereafter means the successor.

NOW, THEREFORE:

In consideration of the premises and the purchase of the Securities by the holders thereof, the parties hereto mutually covenant and agree for the equal and proportionate benefit of the respective holders from time to time of the Securities or of any and all series thereof as follows:

1. DEFINITIONS AND INCORPORATION BY REFERENCE

1.1 Definitions

Additional Amounts has the meaning specified in Section 4.5.

Agent means any Registrar, Paying Agent, transfer agent or Authenticating Agent.

Authenticating Agent has the meaning specified in Section 2.2.

Board Resolutions means one or more resolutions of the board of directors of the Company, the Guarantor or any authorized committee of the Company or the Guarantor, certified by an Officer, the secretary or an assistant secretary of the Company or the Guarantor, as the case may be, to have been duly adopted and to be in full force and effect on the date of certification, and delivered to the Trustee.

Business Day means, with respect to any Security, unless otherwise specified, any day that is not a Saturday, a Sunday or a day on which banking institutions are authorized or required by law, regulation or executive order to be closed, in New York, New York, in Geneva, Switzerland or the city (or in any of the cities, if more than one) in which amounts are payable, as specified in the form of such Security.

Commission means the Securities and Exchange Commission, as from time to time constituted or created under the Exchange Act.

Company means Alcon Finance Corporation until a successor replaces such party pursuant to Article 5 of this Indenture, and thereafter means the successor.

Corporate Trust Office means with respect to the Trustee, the principal office of the Trustee at which at any time its corporate trust business shall be administered, which office as of the date hereof (i) solely for purposes of surrender for registration of transfer or exchange or for presentation for payment or repurchase or for conversion is located at 480 Washington Boulevard, 30th Floor, Jersey City, New Jersey, Attention: Agency & Trust – Alcon Finance Corporation, and (ii) for all other purposes is located at 388 Greenwich Street, New York, New York 10013, Attention: Agency & Trust – Alcon Finance Corporation or such other office as the Trustee may from time to time designate in writing to the Holders and the Company, or the principal corporate trust office of any successor trustee (or such other address as such successor trustee may designate from time to time by notice to the Holders and the Company).

Default means any event which is an Event of Default or would be an Event of Default but for the giving of notice or the passage of time.

Depository means, with respect to the Securities of any series issuable or issued in the form of one or more Global Securities, the Person designated as Depository by the Company pursuant to Sections 2.3 and 2.5 until a successor Depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter **Depository** shall mean or include each Person who is then a Depository hereunder, and if at any time there is more than one such Person, **Depository** as used with respect to the Securities of any such series shall mean the Depository with respect to the Global Securities of that series.

Description of Notes means with respect to a series that section of the same name in the relevant offering memorandum, relevant prospectus, relevant Officer's Certificate, and/or relevant disclosure statement for such series.

Dollar and **\$** mean a U.S. Dollar or other equivalent unit in such coin or currency of the United States of America as at the time shall be the legal tender for the payment of public and private debts.

DTC means the Depository Trust Company, a subsidiary of the Depository Trust & Clearing Corporation.

Event of Default has the meaning specified in Section 7.1.

Exchange Act means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder by the Commission.

Global Security means a Security evidencing all or a part of a series of Securities, issued to the Depositary or its nominee for such series in accordance with Section 2.2, and bearing the legend prescribed in Section 2.2.

Guarantee means the guarantee of the Guarantor as endorsed on each Security authenticated and delivered pursuant to this Indenture and shall include the guarantee of the Guarantor set forth in Section 6.1 of this Indenture and shall include all other obligations and covenants of the Guarantor contained in this Indenture and any Securities.

Guarantor means Alcon Inc., a stock corporation (*Aktiengesellschaft*) incorporated under the laws of Switzerland, having its principal executive offices at Chemin de Blandonnet 8 1214 Vernier, Geneva, Switzerland, until a successor replaces it pursuant to Article 5 of this Indenture and thereafter means the successor, and thereafter any Person that executes a Guarantee in accordance with the provisions of this Indenture, and their respective successors and assigns, in each case, until the Guarantee of such Person has been released in accordance with the provisions of this Indenture.

Holder means the registered holder of any Security.

Indebtedness means any indebtedness for monies borrowed or raised including, without limitation, any debenture, note, bond or like security.

Indenture means this Indenture as originally executed or as it may be amended or supplemented from time to time by one or more indentures supplemental to this Indenture entered into pursuant to the applicable provisions of this Indenture and shall include the forms and terms of the Securities of each series established as contemplated pursuant to Sections 2.1 and 2.3.

Liens has the meaning specified in Section 4.4.

Material Subsidiaries means a Subsidiary that at the time the relevant capital market indebtedness is secured has total assets representing 10% or more of the total consolidated assets of Guarantor, as set out in the latest audited consolidated financial statements of the Guarantor.

Officer means, with respect to the Company or the Guarantor, any director or officer thereof, including the Company Secretary.

Officer's Certificate means a certificate executed by any Officer of the Company or of the Guarantor, as the case may be, complying with Section 11.4 and delivered to the Trustee.

Opinion of Counsel means a written opinion signed by legal counsel, who may be an employee of or counsel to the Company or to the Guarantor, or to both, satisfactory to the Trustee and complying with Section 11.4.

Original Issue Discount Security means any Security that provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof pursuant to Section 7.2.

Paying Agent has the meaning specified in Section 2.5.

Periodic Offering means an offering of Securities of a series from time to time, the specific terms of which Securities, including, without limitation, the rate or rates of

interest, if any, thereon, the stated maturity or maturities thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Company or its agents upon the issuance of such Securities.

Person means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

Principal of a Security means the principal amount of, and, unless the context indicates otherwise, includes any premium payable on, such Security.

Record Date has the meaning specified in Section 2.13.

Registrar has the meaning specified in Section 2.5.

Relevant Capital Market Indebtedness means any indebtedness now or hereafter existing which is in the form of or represented or evidenced by any bonds, notes or other securities which, in any such case, are, or are capable of being, listed on any recognized stock exchange.

Relevant Taxing Jurisdiction has the meaning specified in Section 4.5.

Responsible Officer, when used with respect to the Trustee, means any vice president, any assistant vice president, any assistant secretary, any assistant treasurer, any senior trust officer, any trust officer, any assistant trust officer or any other officer of the Trustee, in each case, located at the Corporate Trust Office of the Trustee, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

Securities means any of the securities, as defined in the first paragraph of the recitals hereof, that are authenticated and delivered under this Indenture and, unless the context indicates otherwise, shall include any coupon appertaining thereto.

Security Register has the meaning specified in Section 2.5.

Subsidiary means any company of which Company or Guarantor shall own more than 50% of the outstanding voting stock of such company. For the purposes of this definition, **Voting Stock** means stock having voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

Trust Indenture Act means the Trust Indenture Act of 1939, as it may be amended from time to time.

Trustee means the party named as such in the first paragraph of this Indenture until a successor replaces it in accordance with the provisions of Article 8 and thereafter means such successor.

U.S. Government Obligations means securities that are (a) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (b) obligations of an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, and shall also include a depository receipt issued by a bank

or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depositary receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depositary receipt.

Yield to Maturity means, as the context may require, the yield to maturity (a) on a series of Securities or (b) if the Securities of a series are issuable from time to time, on a Security of such series, calculated at the time of issuance of such series in the case of clause (a) or at the time of issuance of such Security of such series in the case of clause (b), or, if applicable, at the most recent redetermination of interest on such series or on such Security, and calculated in accordance with the constant interest method or such other accepted financial practice as is specified in the terms of such Security.

1.2 [Reserved.]

1.3 Rules of Construction

Unless the context otherwise requires:

- (a) an accounting term not otherwise defined has the meaning assigned to it in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board or such other generally accepted accounting principles under which the Guarantor may in the future prepare its financial statements;
- (b) words in the singular include the plural, and words in the plural include the singular;
- (c) “herein,” “hereof” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;
- (d) all references to Sections or Articles refer to Sections or Articles of this Indenture unless otherwise indicated.

2. THE SECURITIES

2.1 Form of Securities

The Securities of each series shall be substantially in such form or forms (not inconsistent with this Indenture) as shall be established by or pursuant to one or more Board Resolutions of the Company, an Officer’s Certificate or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have imprinted or otherwise reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of this Indenture, as may be required to comply with any law, or with any rules of any securities exchange or usage, all as may be determined by the Officers executing such Securities as evidenced by their execution of the Securities.

2.2 Execution, Authentication, Delivery and Dating

The Securities shall be executed by an Officer of the Company by facsimile or manual signature; and the Guarantees with respect to the Securities shall be executed by an Officer of the Guarantor by facsimile or manual signature. If an Officer whose signature is on a Security or the Guarantee no longer holds that office at the time the Security or the Guarantee is authenticated, the Security or the Guarantee, as the case may be, shall nevertheless be valid.

The Trustee may appoint an authenticating agent acceptable to the Company (the **Authenticating Agent**) to authenticate Securities. The Authenticating Agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such Authenticating Agent.

A Security shall not be valid until the Trustee or Authenticating Agent manually signs the certificate of authentication on the Security. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series executed by the Company, with the Guarantee of the Guarantor endorsed thereon, to the Trustee for authentication, together with a written request for the authentication and delivery of such Securities and the applicable documents referred to below in this Section 2.2, and the Trustee shall thereupon authenticate and deliver such Securities. In authenticating such Securities, the Trustee shall be entitled to receive and shall be fully protected in relying upon:

- (a) any Board Resolutions of the Company, an Officer's Certificate or executed supplemental indenture referred to in Sections 2.1 and 2.3 by or pursuant to which the forms and terms of the Securities of that series were established;
- (b) an Officer's Certificate of the Company and an Officer's Certificate of the Guarantor certifying as to the forms and terms of the Securities of that series and the Guarantee thereof and stating that the form or forms and terms of such Securities have been, or will be when established in accordance with such procedures as shall be referred to therein, established in compliance with this Indenture; and
- (c) an Opinion of Counsel to the Company and the Guarantor substantially to the effect that the Securities of that series and the Guarantee thereof have been duly authorized and, when executed and authenticated, or in the case of the Guarantee, when the Securities on which the Guarantee shall have been endorsed shall have been authenticated, in accordance with the provisions of this Indenture and delivered to and duly paid for by the purchasers thereof on the date of such opinion, will be entitled to the benefits of this Indenture and will be valid and binding obligations of the Company and the Guarantor, respectively, enforceable against the Company and the Guarantor, respectively, in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, receivership, moratorium and other similar laws affecting creditors' rights generally, general principles of equity, and such other matters as shall be specified therein.

Notwithstanding the provisions of the preceding paragraph, if not all Securities of any series are to be issued at one time, it shall not be necessary to deliver an Officer's Certificate or an Opinion of Counsel otherwise required pursuant to the preceding two paragraphs at the time of issuance of each Security of such series, but such certificate and

opinion, with appropriate modifications to cover such future issuances, shall be delivered at or before the time of issuance of the first Security of such series.

Each Security shall be dated the date of its authentication.

If the Company shall establish pursuant to Section 2.3 that the Securities of a series or a portion thereof are to be issued in the form of one or more Global Securities, then the Company shall execute, and upon receipt of a written request from the Company, the Trustee shall authenticate and deliver, one or more Global Securities, having a Guarantee executed by the Guarantor endorsed thereon, that (a) shall represent and shall be denominated in an amount equal to the aggregate principal amount of all of the Securities of such series issued in such form and not yet canceled, (b) shall be registered in the name of the Depositary for such Global Security or Securities or the nominee of such Depositary, (c) shall be delivered by the Trustee to such Depositary or its custodian or pursuant to such Depositary's instructions, and (d) shall (unless provided otherwise in the form of such Security) bear a legend substantially to the following effect:

"Unless and until it is exchanged in whole or in part for Securities in definitive registered form, this Security may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary."

2.3 Amount Unlimited; Issuable in Series

The aggregate principal amount of Securities that may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. There shall be established in or pursuant to a Board Resolution of the Company, an Officer's Certificate or one or more indentures supplemental hereto, prior to the initial issuance of Securities of any series, any or all of the following, as applicable:

- (a) the title of the Securities of the series, which shall distinguish the Securities of that series from the Securities of all other series;
- (b) the aggregate principal amount of the Securities of the series to be authenticated and delivered under this Indenture and any limitation on the ability of the Company to increase such aggregate principal amount after the initial issuance of the Securities of that series (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, or upon redemption of, other Securities of that series pursuant hereto);
- (c) the date or dates on which the Principal of the Securities of the series shall be payable;
- (d) the percentage of the aggregate principal amount of the Securities of the series at which the Securities shall be issued and whether the Securities will be Original Issue Discount Securities and any special tax considerations relating thereto;
- (e) (i) the rate or rates (which may be fixed or variable) per annum at which the Securities of the series shall bear interest, if any;

- (i) the date or dates from which such interest shall accrue, on which such interest shall be payable and on which a record shall be taken for the determination of Holders to whom interest is payable; and/or
- (ii) the method by which such rate or rates or date or dates shall be determined;
- (f) if other than as provided in Section 4.2, the place or places where (i) the Principal of, interest on and any Additional Amounts in respect of Securities of the series shall be payable, (ii) any Securities of the series may be surrendered for transfer or exchange, and (iii) notices or demands to or upon the Company and the Guarantor in respect of the Securities of the series and this Indenture may be served;
- (g) the right, if any, of the Company to redeem Securities of the series, in whole or in part, at its option and the period or periods within which, the price or prices at which and any terms and conditions upon which Securities of that series may be so redeemed, pursuant to any sinking fund or otherwise;
- (h) the obligation, if any, of the Company to redeem, purchase or repay Securities of the series pursuant to any mandatory redemption, sinking fund or analogous provisions or at the option of a Holder thereof and the price or prices at which and the period or periods within which and any of the terms and conditions upon which Securities of that series shall be redeemed, purchased or repaid, in whole or in part, pursuant to such obligation;
- (i) if other than denominations of \$1,000 and any integral multiple thereof, the denominations in which Securities of the series shall be issuable;
- (j) if other than the entire principal amount thereof, the portion of the principal amount of Securities of the series that shall be payable upon declaration of acceleration of the maturity thereof;
- (k) if other than Dollars, the currency or currencies in which payment of the Principal of or interest on or any Additional Amounts in respect of Securities of the series shall be payable or in which Securities of that series shall be denominated, and any other terms and conditions relating thereto;
- (l) if other than the currency in which the Securities of the series are denominated, the currency in which payment of the Principal of or interest on the Securities of the series shall be payable or if the amount of payments of Principal of and/or interest on the Securities of that series may be determined with reference to an index based on a currency other than that in which the Securities of the series are denominated, the manner in which such amounts shall be determined;
- (m) if payment of the Principal of and interest on the Securities of the series shall be payable in currency or currencies other than Dollars, the manner in which any such currency shall be valued against other currencies in which any other Securities shall be payable;
- (n) whether and under what circumstances the Company will pay Additional Amounts on the Securities of the series in respect of any tax, assessment or governmental charge withheld or deducted and, if so, whether the Company will

have the option to redeem such Securities rather than pay such Additional Amounts;

- (o) if the Securities of the series are to be issuable in definitive form (whether upon original issue or upon exchange of a temporary Security of that series) only upon receipt of certain certificates or other documents or satisfaction of other conditions, the form and terms of such certificates, documents or conditions;
- (p) any trustees, depositaries, Authenticating Agents, Paying Agents, transfer agents or the Registrar or any other Agents with respect to the Securities of the series;
- (q) provisions, if any, for the defeasance of the Securities of the series (including provisions permitting defeasance of less than all Securities of the series), which provisions may be in addition to, in substitution for, or in modification of (or any combination of the foregoing) the provisions of Article 9;
- (r) if the Securities of the series are issuable in whole or in part as one or more Global Securities, the identity of the Depositary for such Global Security or Securities;
- (s) any deletions from, modifications of or additions to the Events of Default or covenants with respect to the Securities of the series; and
- (t) any other terms of the Securities of the series (which terms shall not be inconsistent with the provisions of this Indenture).

All Securities of any one series shall be substantially identical, except as to date and denomination, except in the case of any Periodic Offering and except as may otherwise be provided by or pursuant to the Board Resolutions of the Company or Officer's Certificate referred to above or as set forth in any indenture supplemental hereto. All Securities of any one series need not be issued at the same time and may be issued from time to time, consistent with the terms of this Indenture, if so provided by or pursuant to such Board Resolutions or in any such indenture supplemental hereto, and any forms and terms of Securities to be issued from time to time may be completed and established from time to time prior to the issuance thereof by procedures described in such Board Resolutions, Officer's Certificate or supplemental indenture. Unless otherwise provided, a series of Securities may be re-opened, without the consent of the Holders, for issuances of additional Securities of such series.

2.4 Denominations

The Securities of each series shall be issuable in denominations established as contemplated by Section 2.3. With respect to Securities of any series denominated in Dollars, in the absence of any such provisions with respect to Securities of such series, Securities of such series, other than Securities issued in global form (which may be of any denomination), shall be issuable in denominations of \$1,000 and any integral multiple thereof.

The Securities of each series shall be numbered, lettered or otherwise distinguished in such manner as the Officer of the Company executing the same may determine, as evidenced by his or her execution thereof.

2.5 Registrar and Paying Agent; Agents Generally

The Company shall maintain an office or agency where Securities may be presented for registration, registration of transfer or exchange (the **Registrar**) and the Company and the Guarantor shall maintain an office or agency where Securities may be presented for payment or where, in the case of the Guarantor, Securities may be presented for payment under the Guarantees endorsed thereon (the **Paying Agent**), which in each case shall be in the Borough of Manhattan, The City of New York. The Company shall cause the Registrar to keep a register of the Securities and of their registration, transfer and exchange and the name and address of each of the Holders (the **Security Register**). The Company and the Guarantor may have one or more additional Paying Agents or transfer agents with respect to any series.

The Company shall enter into an appropriate agency agreement with any Agent that is not a party to this Indenture. The agreement shall implement the provisions of this Indenture. The Company shall give prompt written notice to the Trustee of the name and address of any Agent and any change in the name or address of an Agent. If the Company fails to maintain a Registrar or if the Company or the Guarantor fails to maintain a Paying Agent, the Trustee shall act as Registrar and Paying Agent. The Company or the Guarantor may remove any Agent appointed by it upon written notice to such Agent and the Trustee; provided that no such removal shall become effective until the acceptance of an appointment by a successor Agent to such Agent as evidenced by an appropriate agency agreement entered into by the Company or the Guarantor and such successor Agent and delivered to the Trustee or (b) notification to the Trustee that the Trustee shall serve as such Agent until the appointment of a successor Agent in accordance with clause (a) of this proviso. The Company, the Guarantor or any affiliate of the Company or the Guarantor may act as Paying Agent or Registrar; provided that neither the Company, the Guarantor nor any such affiliate shall act as Paying Agent in connection with the defeasance of the Securities or the discharge of this Indenture under Article 9.

The Company initially appoints the Trustee as Registrar and Authenticating Agent, and the Company and the Guarantor initially appoint the Trustee as Paying Agent. In acting hereunder and in connection with the Securities, the Authenticating Agent, the Paying Agent and the Registrar shall act solely as an agent of the Company and will not assume any fiduciary duty or relationship of agency or trust for or with any of the beneficial owners or Holder(s). If, at any time, the Trustee is not the Registrar, the Registrar shall make available to the Trustee ten days prior to each interest payment date and at such other times as the Trustee may reasonably request the names and addresses of the Holders as they appear in the Security Register. The Company initially appoints DTC as Depositary for the Global Securities.

Subject to applicable laws and regulations, the Registrar undertakes to make an up-to-date, complete and accurate copy of the register available, at all reasonable times during office hours, to the Company, the Paying Agent or any person authorized by any of them or the Holder of any Securities in registered form for inspection and for the taking of copies or extracts.

2.6 Paying Agent to Hold Money in Trust

Not later than 12:00 p.m., New York City time, on each due date of any Principal of or interest on any Securities, the Company shall deposit with the Paying Agent money in immediately available funds sufficient to pay such Principal or interest; *provided, that,* to the extent such deposit is received by the Paying Agent after 12:00 p.m., New York City time, on any such due date, such deposit will be deemed deposited on the next Business

Day. The Company shall require each Paying Agent other than the Trustee to agree in writing that such Paying Agent shall hold in trust for the benefit of the Holders of such Securities or the Trustee all money held by the Paying Agent for the payment of Principal of and interest on such Securities and shall promptly notify the Trustee in writing of any default in making any such payment. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and account for any funds disbursed, and the Trustee may at any time during the continuance of any payment default, upon written request to a Paying Agent, require such Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. Upon doing so, the Paying Agent shall have no further liability for the money so paid over to the Trustee. If the Company, the Guarantor or any affiliate of the Company or the Guarantor acts as Paying Agent, it will, on or before each due date of any Principal of or interest on any Securities, segregate and hold in a separate trust fund for the benefit of the Holders thereof a sum of money sufficient to pay such Principal or interest so becoming due until such sum of money shall be paid to such Holders or otherwise disposed of as provided in this Indenture, and will promptly notify the Trustee in writing of its action or failure to act as required by this Section 2.6.

The Trustee shall have no responsibility or obligation to any beneficial owner of a Global Security, a member of, or a participant in, DTC or other Person with respect to the accuracy of the records of DTC or its nominee or of any participant or member thereof, with respect to any ownership interest in the Securities or with respect to the delivery to any participant, member, beneficial owner or other Person (other than DTC) of any notice (including any notice of redemption or purchase) or the payment of any amount or delivery of any Securities (or other security or property) under or with respect to such Securities. All notices and communications to be given to the Holders and all payments to be made to Holders in respect of the Securities shall be given or made only to or upon the order of the registered Holders (which shall be DTC or its nominee in the case of a Global Security). The rights of beneficial owners in any Global Security shall be exercised only through DTC subject to the applicable rules and procedures of DTC. The Trustee may rely and shall be fully protected in relying upon information furnished by DTC with respect to its members, participants and any beneficial owners.

The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Security (including any transfers between or among Depositary participants or beneficial owners of interests in any Global Security) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

Neither the Trustee nor any Agent shall have any responsibility for any actions taken or not taken by the Depositary.

2.7 Transfer and Exchange

Upon surrender for registration of transfer of any Security of any series at any agency of the Company maintained for such purpose in accordance with Section 2.5, the Company shall execute, and upon receipt of a written request from the Company, the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series, of any authorized denominations and of a like aggregate principal amount.

At the option of the Holder thereof, Securities of any series (other than a Global Security, except as set forth below) may be exchanged for a Security or Securities of such series and tenor having authorized denominations and an equal aggregate principal amount, upon surrender of such Securities to be exchanged at the agency of the Company maintained for such purpose in accordance with Section 2.5. Whenever any Securities are so surrendered for exchange, the Company shall execute, and upon receipt of a written request from the Company, the Trustee shall authenticate and deliver, the Securities, having a Guarantee executed by the Guarantor endorsed thereon, that the Holder making the exchange is entitled to receive.

All Securities presented for registration of transfer, exchange, redemption or payment shall be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company, the Guarantor and the Trustee duly executed by the Holder or his or her attorney duly authorized in writing.

The Company and/or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of Securities. No service charge shall be made for any such transaction.

Notwithstanding any other provision of this Section 2.7, unless and until it is exchanged in whole or in part for Securities in definitive registered form, a Global Security representing all or a portion of the Securities of a series may not be transferred except as a whole by the Depositary for such series to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor Depositary for such series or a nominee of such successor Depositary.

If at any time the Depositary for any Global Securities of any series notifies the Company that it is unwilling or unable to continue as Depositary for such Global Securities or if at any time the Depositary for such Global Securities shall no longer be eligible under applicable law to act as Depositary, the Company shall appoint a successor Depositary eligible under applicable law with respect to such Global Securities. If:

- (a) a successor Depositary eligible under applicable law for such Global Securities is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility;
- (b) an Event of Default has occurred and is continuing and the beneficial owners representing a majority in principal amount of the applicable series of Securities represented by such Global Securities advise the Depositary to cease acting as depositary for such Global Securities; or
- (c) the Company, in its sole discretion, determines at any time that any Securities of any series issued or issuable in the form of one or more Global Securities shall no longer be represented by such Global Securities;

then the Company will execute, and upon receipt of the Company's order for the authentication and delivery of definitive Securities of such series and tenor, the Trustee will authenticate and make available for delivery Securities of such series and tenor, in any authorized denominations, in an aggregate principal amount equal to the principal amount of such Global Securities, having a Guarantee executed by the Guarantor endorsed thereon, in exchange for such Global Securities.

Any time the Securities of any series are not in the form of Global Securities pursuant to the preceding paragraph, the Company agrees to supply the Trustee with a reasonable supply of certificated Securities, having a Guarantee executed by the Guarantor endorsed thereon, without the legend required by Section 2.2 and the Trustee agrees to hold such Securities in safekeeping until authenticated and delivered pursuant to the terms of this Indenture.

If established by the Company pursuant to Section 2.3 with respect to any Global Security, the Depositary for such Global Security may surrender such Global Security in exchange in whole or in part for Securities of the same series and tenor in definitive form on such terms as are acceptable to the Company and such Depositary. Thereupon, the Company shall execute, and upon receipt of a written request from the Company, the Trustee shall authenticate and deliver, without service charge:

- (i) to the Person specified by such Depositary new Securities of the same series and tenor, having a Guarantee executed by the Guarantor endorsed thereon, of any authorized denominations as requested by such Person, in an aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Global Security; and
- (ii) to such Depositary a new Global Security, having a Guarantee executed by the Guarantor endorsed thereon, in a denomination equal to the difference, if any, between the principal amount of the surrendered Global Security and the aggregate principal amount of Securities authenticated and delivered pursuant to clause (i) above.

Securities issued in exchange for a Global Security, having a Guarantee executed by the Guarantor endorsed thereon, pursuant to this Section 2.7 shall be registered in such names and in such authorized denominations as the Depositary for such Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee or an agent of the Company or the Trustee in writing. The Trustee or such agent shall deliver such Securities to or as directed in writing by the Persons in whose names such Securities are so registered.

All Securities (including the Guarantee endorsed thereon) issued upon any transfer or exchange of Securities shall be valid obligations of the Company and the Guarantor, evidencing the same debt, and entitled to the same benefits under this Indenture and the Guarantee endorsed thereon, as the Securities surrendered upon such transfer or exchange.

The Registrar shall not be required (a) to issue, register the transfer of or exchange Securities of any series if such Securities may be among those selected for redemption during a period beginning 15 days before the selection of Securities to be redeemed and ending on the day of delivery of the relevant notice of redemption, (b) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except, in the case of any Security to be redeemed in part, the portion thereof not to be redeemed, or (c) to issue, register the transfer of or exchange any Security that has been surrendered for repayment at the option of the Holder, except the portion, if any, of such Security not to be so repaid.

2.8 Replacement Securities

If a defaced or mutilated Security of any series is surrendered to the Trustee or if a Holder claims that its Security of any series has been lost, destroyed or wrongfully taken and

presents to the Trustee, the Company, the Guarantor and any Agent evidence to their satisfaction of the loss, destruction or wrongful taking of such Security, the Company shall issue, and upon receipt of a written request from the Company, the Trustee shall authenticate a replacement Security of such series and tenor and principal amount, having a Guarantee executed by the Guarantor endorsed thereon, bearing a number not contemporaneously outstanding. An indemnity bond and/or other security must be furnished that is sufficient in the judgment of the Trustee, the Company and the Guarantor to protect the Trustee, the Company, the Guarantor and any Agent from any loss that any of them may suffer if a Security is replaced. The Company may charge such Holder for its expenses and the expenses of the Trustee (including without limitation attorneys' fees and expenses) in replacing a Security. In case any such mutilated, defaced, lost, destroyed or wrongfully taken Security has become or is about to become due and payable, the Company and the Guarantor in their discretion may pay such Security instead of issuing a new Security (with the Guarantee endorsed thereon) in replacement thereof.

Every replacement Security (including the Guarantee endorsed thereon) is an additional obligation of the Company and the Guarantor and shall be entitled to the benefits of this Indenture equally and proportionately with any and all other Securities of such series and the Guarantee endorsed thereon duly authenticated and delivered hereunder.

To the extent permitted by law, the foregoing provisions of this Section 2.8 are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or wrongfully taken Securities.

2.9 Outstanding Securities

Securities outstanding at any time are all Securities that have been authenticated by the Trustee except for those Securities it has canceled, those Securities delivered to it for cancellation, those paid pursuant to Section 2.8, those Securities described in this Section 2.9 as not outstanding and those that have been defeased pursuant to Section 9.2.

If a Security is replaced pursuant to Section 2.8, it ceases to be outstanding unless and until the Trustee, the Company and the Guarantor receive proof satisfactory to them that the replaced Security is held by a holder in due course.

If the Paying Agent (other than the Company, the Guarantor or an affiliate of the Company or the Guarantor) holds on the maturity date or any redemption date or date for repurchase of the Securities money sufficient to pay Securities payable or to be redeemed or repurchased on such date, then on and after such date such Securities shall cease to be outstanding and interest on them shall cease to accrue.

A Security does not cease to be outstanding because the Company, the Guarantor or one of the affiliates of the Company or the Guarantor holds such Security, provided, however, that, in determining whether the Holders of the requisite principal amount of the outstanding Securities shall have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company, the Guarantor or any affiliate of the Company or the Guarantor shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities as to which a Responsible Officer of the Trustee has received written notice to be so owned shall be so disregarded. Any Securities so owned which are pledged by the Company, the Guarantor, or any affiliate of the Company or the Guarantor, as security for loans or other obligations, otherwise than to another such affiliate of the Company or the

Guarantor, shall be deemed to be outstanding, if the pledgee is entitled pursuant to the terms of its pledge agreement and is free to exercise in its discretion the right to vote such securities, uncontrolled by the Company, the Guarantor or any such affiliate.

2.10 Temporary Securities

Until definitive Securities of any series are ready for delivery, the Company may prepare, and upon receipt of a written request from the Company, the Trustee shall authenticate temporary Securities of such series, having the Guarantee of the Guarantor endorsed thereon. Temporary Securities of any series shall be substantially in the form of definitive Securities of such series, but may have insertions, substitutions, omissions and other variations determined to be appropriate by the Officers of the Company and the Guarantor executing the temporary Securities or the Guarantee endorsed thereon, as evidenced by their execution of such temporary Securities or Guarantee, as applicable. If temporary Securities of any series are issued, the Company will cause definitive Securities of such series, having the Guarantee of the Guarantor endorsed thereon to be prepared without unreasonable delay. After the preparation of definitive Securities of any series, the temporary Securities of such series shall be exchangeable for definitive Securities of such series and tenor upon surrender of such temporary Securities at the office or agency of the Company designated for such purpose pursuant to Section 4.2, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series the Company shall execute, and upon receipt of a written request from the Company, the Trustee shall authenticate and make available for delivery in exchange therefor a like principal amount of definitive Securities of such series and tenor and authorized denominations, having a Guarantee executed by the Guarantor endorsed thereon. Until so exchanged, the temporary Securities of any series shall be entitled to the same benefits under this Indenture as definitive Securities of such series.

2.11 Cancellation

The Company or the Guarantor at any time may deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder, which the Company or the Guarantor may have acquired in any manner whatsoever, and may deliver to the Trustee for cancellation any Securities previously authenticated hereunder which the Company has not issued and sold. The Registrar, any transfer agent and the Paying Agent shall forward to the Trustee any Securities surrendered to them for transfer, exchange or payment. The Trustee shall cancel all Securities surrendered for transfer, exchange, payment or cancellation and shall deliver such canceled Securities to the Company or the Guarantor, as applicable. The Company may not issue new Securities to replace Securities it has paid in full or delivered to the Trustee for cancellation, except as expressly permitted by this Indenture.

2.12 Persons Deemed Owners

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of Principal of and (subject to Section 2.13) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

None of the Company, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Notwithstanding the foregoing, with respect to any Global Security, nothing herein shall prevent the Company, the Trustee, or any agent of the Company or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by any Depositary, as a Holder, with respect to such Global Security or impair, as between such depositary and owners of beneficial interests in such Global Security, the operation of customary practices governing the exercise of the rights of such Depositary (or its nominee) as Holder of such Global Security.

2.13 Payment of Interest; Defaulted Interest

- (a) The Securities of each series shall bear interest, if any, from the date, and such interest shall be payable on the dates, established as contemplated by Section 2.3. The person in whose name any Security of any series is registered at the close of business on any Record Date applicable to a particular series with respect to any interest payment date for such series shall be entitled to receive the interest, if any, payable on such interest payment date notwithstanding any transfer or exchange of such Security subsequent to the Record Date and prior to such interest payment date, except if and to the extent the Company shall default in the payment of the interest due on such interest payment date for such series, in which case the provisions of Section 2.13(b) shall apply. The term **Record Date** as used with respect to any interest payment date (except a date for payment of defaulted interest) for the Securities of any series shall mean the date specified as such in the terms of the Securities of such series established as contemplated by Section 2.3, or, if no such date is so established, the last Business Day of the month next preceding such interest payment date.
- (b) If the Company defaults in a payment of interest on the Securities, it shall pay, or shall deposit with the Paying Agent money in immediately available funds sufficient to pay, the defaulted interest plus (to the extent lawful) any interest payable on the defaulted interest (as may be specified in the terms thereof, established pursuant to Section 2.3) to the Persons who are Holders on a subsequent special record date, which shall mean the last Business Day of the month next preceding the date fixed by the Company for the payment of defaulted interest. At least 15 days before such special record date, the Company shall deliver to each Holder and to the Trustee a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

2.14 Computation of Interest

Except as otherwise specified pursuant to Section 2.3 for Securities of any series, interest on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months. If any date for payment of Principal or interest on any Security shall not be a Business Day at any place of payment, then payment of Principal or interest on such Security, as the case may be, need not be made on such date, but may be made on the next succeeding Business Day at any place of payment with the same force and effect as if made on such date and no interest shall accrue in respect of such payment for the period from and after such date.

2.15 Series May Include Tranches

A series of Securities may include one or more tranches of Securities, including Securities issued in a Periodic Offering. The Securities of different tranches may have one or more different terms, including authentication dates and public offering prices, but all the Securities within each such tranche shall have identical terms, including authentication date and public offering price. Notwithstanding any other provision of this Indenture, with respect to Sections 2.2 (other than the fourth paragraph thereof) through 2.4, 2.7, 2.8, 2.10, 3.1 through 3.5, 4.2, 7.1 through 7.14, 9.1 through 9.5 and 10.2, if any series of Securities includes more than one tranche, all provisions of such Sections applicable to any series of Securities shall be deemed equally applicable to each tranche of any series of Securities in the same manner as though originally designated a series unless otherwise provided with respect to such series or tranche pursuant to Section 2.3. In particular, and without limiting the scope of the next preceding sentence, any of the provisions of such Sections which provide for or permit action to be taken with respect to a series of Securities shall also be deemed to provide for and permit such action to be taken instead only with respect to Securities of one or more tranches within that series (and such provisions shall be deemed satisfied thereby), even if no comparable action is taken with respect to Securities in the remaining tranches of that series.

2.16 CUSIP, ISIN and CINS Numbers

The Company in issuing the Securities may use CUSIP, ISIN and CINS numbers (if then generally in use), and the Trustee shall use CUSIP numbers, ISIN numbers or CINS numbers, as the case may be, in notices of redemption or exchange as a convenience to Holders and no representation shall be made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of redemption or exchange.

3. REDEMPTION

3.1 Applicability of Article

Securities of any series that are redeemable before their maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 2.3 for Securities of any series) in accordance with this Article 3. The provisions of this Article 3 shall be applicable to the Securities of any series, in whole but not in part, if, with respect to such series:

- (a) the Company determines that, as a result of any change in or amendment to the laws or any regulations or rulings promulgated thereunder of Switzerland or another Relevant Taxing Jurisdiction (but excluding, for the purposes of this section, the United States), or any change in the application or official interpretation of such laws, regulations or rulings, or any change in the application or official interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which any such jurisdiction is a party, which change, execution or amendment becomes effective on or after the issue date or such date specified in the Securities of such series:
 - (i) the Company would be required to pay Additional Amounts (as defined in Section 4.5) with respect to such series of Securities on the next succeeding interest payment date and the payment of such Additional Amounts cannot be avoided by the use of reasonable measures available to the Company or the Guarantor; or

- (ii) withholding tax has been or would be required to be withheld with respect to interest income received or receivable by the Company directly from the Guarantor (or any affiliate) and such withholding tax obligation cannot be avoided by the use of reasonable measures available to the Company or the Guarantor (or any affiliate); or
- (b) the Company determines, based upon an opinion of independent counsel selected by the Company that, as a result of any action taken by any legislative body of, taxing authority of, or any action brought in a court of competent jurisdiction in, a Relevant Taxing Jurisdiction (whether or not such action was taken or brought with respect to the Company or the Guarantor), which action is taken or brought on or after the issue date or such other date specified in the Securities of such series, there is a substantial probability that the circumstances described in subsection (a) above would exist; provided, however, that no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Company would be obligated to pay such Additional Amounts. The Company or the Guarantor will also pay to each Holder, or make available for payment to each such Holder, on the redemption date any Additional Amounts resulting from the payment of such redemption price subject to the conditions described in Section 4.5 below.

Prior to the publication of any notice of redemption, the Company will deliver to the Trustee:

- (i) an Officer's Certificate stating that the Company is entitled to effect a redemption and setting forth a statement of facts showing that the conditions precedent of the right so to redeem have occurred; or
- (ii) an Opinion of Counsel to the effect that the conditions specified above have been satisfied.

Any notice of redemption will be irrevocable once the Company delivers the Officer's Certificate and Opinion of Counsel to the Trustee.

3.2 Notice of Redemption; Partial Redemptions

Prior to the delivery of any notice of redemption, the Company or the Guarantor will deliver to the Trustee either an Officer's Certificate stating that the Company is entitled to effect a redemption and setting forth a statement of facts showing that the conditions precedent of the right so to redeem have occurred or an Opinion of Counsel to the effect that the conditions specified above have been satisfied. Any notice of redemption will be irrevocable once the Company delivers it to the Trustee.

Notice of redemption to the Holders of Securities of any series to be redeemed as a whole or in part at the option of the Company shall be given by mailing notice of such redemption by first class mail, postage prepaid or electronic delivery, at least 15 days and not more than 60 days prior to the date fixed for redemption (except that a redemption notice may be mailed or electronically delivered more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Securities of such series or a satisfaction and discharge of this Indenture for such series) to such Holders of Securities of such series at their last addresses as they shall appear upon the Security Register of the Company. Any notice that is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice. Failure to give notice by mail or electronic delivery, or any defect in the notice to

the Holder of any Security of a series designated for redemption as a whole or in part, shall not affect the validity of the proceedings for the redemption of any other Security of such series.

In connection with any optional redemption of a series of Securities, any such redemption may, at the Company's discretion, be subject to one or more conditions precedent. If a redemption is subject to satisfaction of one or more conditions precedent, the applicable redemption notice will describe such condition, and if applicable, will state that, in the Company's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, without the requirement of an additional notice prior to the holders, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date as so delayed.

The notice of redemption to each such Holder shall state:

- (a) the principal amount of each Security of such series held by such Holder to be redeemed;
- (b) the CUSIP, ISIN or CINS numbers, as the case may be, of the Securities to be redeemed;
- (c) the date fixed for redemption;
- (d) the redemption price, or if not then ascertainable, the manner of calculation thereof;
- (e) the place or places of payment;
- (f) that payment will be made upon presentation and surrender of such Securities;
- (g) that such redemption is pursuant to the mandatory or optional sinking fund, or both, if such be the case;
- (h) that interest accrued to, but excluding, the date fixed for redemption will be paid as specified in such notice; and
- (i) that on and after said date interest thereon or on the portions thereof to be redeemed will cease to accrue.

In case any Security of a series is to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the date fixed for redemption, upon surrender of such Security, a new Security or Securities of such series and tenor in principal amount equal to the unredeemed portion thereof will be issued.

The notice of redemption of Securities of any series to be redeemed at the option of the Company shall be given by the Company or, at the Company's written request delivered at least three Business Days before the date such notice is to be given (unless a shorter period shall be acceptable to the Trustee), by the Trustee in the name and at the expense of the Company.

On or before 12:00 p.m., New York City time, on the redemption date specified in the notice of redemption given as provided in this Section 3.2, the Company will deposit with

the Trustee or with one or more Paying Agents (or, if the Company is acting as its own Paying Agent, set aside, segregate and hold in trust as provided in Section 2.6) an amount of money sufficient to redeem on the redemption date all the Securities of such series so called for redemption at the appropriate redemption price, together with accrued interest to, but excluding, the date fixed for redemption; *provided, that*, to the extent such deposit is received by the Trustee or such Paying Agent after 10:00 p.m., New York City time, on any such due date, such deposit will be deemed deposited on the next Business Day.

If less than all the Securities of a series are to be redeemed, (i) if the Securities are held by a Depositary, the applicable operational procedure of the Depositary for selection of Securities for redemption will apply and (ii) if the Securities are not held by a Depositary, the Trustee shall select, *pro rata*, by lot or in such manner as it and the Company shall deem appropriate and fair, Securities of such series to be redeemed in whole or in part. Securities may be redeemed in part in principal amount equal to the minimum authorized denomination for Securities of such series or any multiple thereof. Securities may be redeemed in part in principal amount equal to the minimum authorized denomination for Securities of such series or any multiple thereof. The Trustee shall promptly notify the Company and the Paying Agent in writing of the Securities of such series selected for redemption and, in the case of any Securities of such series selected for partial redemption, the principal amount thereof to be redeemed. For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Security which has been or is to be redeemed.

3.3 Payment of Securities Called for Redemption

If notice of redemption has been given as above provided, the Securities or portions of Securities specified in such notice shall become due and payable on the date and at the place stated in such notice at the applicable redemption price, together with interest accrued to, but excluding, the date fixed for redemption, and on and after such date (unless the Company shall default in the payment of such Securities at the redemption price, together with interest accrued to, but excluding, such date) interest on the Securities or portions of Securities so called for redemption shall cease to accrue and, except as provided in Sections 8.11 and 9.4, such Securities shall cease from and after the date fixed for redemption to be entitled to any benefit under this Indenture, and the Holders thereof shall have no right in respect of such Securities except the right to receive the redemption price thereof and unpaid interest to, but excluding, the date fixed for redemption.

On presentation and surrender of such Securities at a place of payment specified in the notice of redemption, such Securities shall be paid and redeemed by the Company at the applicable redemption price, together with interest accrued thereon to, but excluding, the redemption date; provided that payment of interest becoming due on or prior to the redemption date shall be payable to the Holders of such Securities registered as such on the relevant Record Date subject to the terms and provisions of Sections 2.5 and 2.13 hereof. If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the Principal shall, until paid or duly provided for, bear interest from the date fixed for redemption at the rate of interest or Yield to Maturity (in the case of an Original Issue Discount Security) borne by such Security.

Upon presentation and surrender of any Security of any series redeemed in part only, the Company shall execute, and upon receipt of a written request from the Company, the Trustee shall authenticate and make available for delivery to or on the order of the Holder

thereof, at the expense of the Company, a new Security or Securities of such series and tenor, each having a Guarantee executed by the Guarantor endorsed thereon, of authorized denominations, in principal amount equal to the unredeemed portion of the Security so presented.

3.4 Exclusion of Certain Securities from Eligibility for Selection for Redemption

Securities shall be excluded from eligibility for selection for redemption if they are identified by registration and certificate number in a written statement signed by an Officer of the Company and delivered to the Trustee at least 10 days prior to the last date on which notice of redemption may be given as being owned of record and beneficially, and not pledged or hypothecated, by either (a) the Company, (b) the Guarantor or (c) an entity specifically identified in such written statement as directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or the Guarantor.

3.5 Mandatory and Optional Sinking Funds

The minimum amount of any sinking fund payment provided for by the terms of the Securities of any series is herein referred to as a **mandatory sinking fund payment**, and any payment in excess of such minimum amount provided for by the terms of the Securities of any series is herein referred to as an **optional sinking fund payment**. The date on which a sinking fund payment is to be made is herein referred to as the **sinking fund payment date**.

In lieu of making all or any part of any mandatory sinking fund payment with respect to any series of Securities in cash, the Company may at its option (a) deliver to the Trustee Securities of such series theretofore purchased or otherwise acquired (except through a mandatory sinking fund payment) by the Company or receive credit for Securities of such series (not previously so credited) theretofore purchased or otherwise acquired (except as aforesaid) by the Company and delivered to the Trustee for cancellation pursuant to Section 2.11, (b) receive credit for optional sinking fund payments (not previously so credited) made pursuant to this Section 3.5, or (c) receive credit for Securities of such series (not previously so credited) redeemed by the Company through any optional sinking fund payment. Securities so delivered or credited shall be received or credited by the Trustee at the sinking fund redemption price specified in such Securities.

On or before the 60th day next preceding each sinking fund payment date for any series, or such shorter period as shall be acceptable to the Trustee, the Company will deliver to the Trustee an Officer's Certificate (a) specifying the portion of the mandatory sinking fund payment to be satisfied by payment of cash and the portion to be satisfied by credit of specified Securities of such series and the basis for such credit, (b) stating that none of the specified Securities of such series has theretofore been so credited, (c) stating that no Defaults in the payment of interest or Events of Default with respect to such series have occurred (which have not been waived or cured) and are continuing and (d) stating whether or not the Company intends to exercise its right to make an optional sinking fund payment with respect to such series and, if so, specifying the amount of such optional sinking fund payment which the Company intends to pay on or before the next succeeding sinking fund payment date. Any Securities of such series to be credited and required to be delivered to the Trustee in order for the Company to be entitled to credit therefor as aforesaid that have not theretofore been delivered to the Trustee shall be delivered for cancellation pursuant to Section 2.11 to the Trustee with such Officer's Certificate (or reasonably promptly thereafter if acceptable to the Trustee). Such Officer's Certificate shall be irrevocable and, upon its receipt by the Trustee, the

Company shall become unconditionally obligated to make all the cash payments or delivery of Securities therein referred to, if any, on or before the next succeeding sinking fund payment date. Failure of the Company, on or before any such 60th day, to deliver such Officer's Certificate and Securities specified in this paragraph, if any, shall not constitute a default but shall constitute, on and as of such date, the irrevocable election of the Company (i) that the mandatory sinking fund payment for such series due on the next succeeding sinking fund payment date shall be paid entirely in cash without the option to deliver or credit Securities of such series in respect thereof and (ii) that the Company will make no optional sinking fund payment with respect to such series as provided in this Section 3.5.

If the sinking fund payment or payments (mandatory or optional or both) to be made in cash on the next succeeding sinking fund payment date plus any unused balance of any preceding sinking fund payments made in cash shall exceed \$50,000 (or a lesser sum if the Company shall so request with respect to the Securities of any series), such cash shall be applied on the next succeeding sinking fund payment date to the redemption of Securities of such series at the sinking fund redemption price thereof together with accrued interest thereon to, but excluding, the date fixed for redemption. If such amount shall be \$50,000 (or such lesser sum) or less and the Company makes no such request then it shall be carried over until a sum in excess of \$50,000 (or such lesser sum) is available. The Trustee shall select, in the manner provided in Section 3.2, for redemption on such sinking fund payment date a sufficient principal amount of Securities of such series to absorb said cash, as nearly as may be, and shall (if requested in writing by the Company) inform the Company of the serial numbers of the Securities of such series (or portions thereof) so selected. Securities shall be excluded from eligibility for redemption under this Section 3.5 if they are identified by registration and certificate number in an Officer's Certificate delivered to the Trustee at least 60 days prior to the sinking fund payment date as being owned of record and beneficially, and not pledged or hypothecated, by either (a) the Company, (b) the Guarantor or (c) an entity specifically identified in such Officer's Certificate as directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or the Guarantor. The Trustee, in the name and at the expense of the Company (or the Company, if it shall so request the Trustee in writing) shall cause notice of redemption of the Securities of such series to be given in substantially the manner provided in Section 3.2 (and with the effect provided in Section 3.3) for the redemption of Securities of such series in part at the option of the Company. The amount of any sinking fund payments not so applied or allocated to the redemption of Securities of such series shall be added to the next cash sinking fund payment for such series and, together with such payment, shall be applied in accordance with the provisions of this Section 3.5. Any and all sinking fund moneys held on the stated maturity date of the Securities of any particular series (or earlier, if such maturity is accelerated), which are not held for the payment or redemption of particular Securities of such series shall be applied, together with other moneys, if necessary, sufficient for the purpose, to the payment of the Principal of, and interest on, the Securities of such series at maturity.

On or before 12:00 p.m., New York City time, on each sinking fund payment date, the Company shall pay to the Trustee in cash or shall otherwise provide for the payment of all interest accrued to, but excluding, the date fixed for redemption on Securities to be redeemed on the next following sinking fund payment date; *provided, that*, to the extent such deposit is received by the Paying Agent after 12:00 p.m., New York City time, on any such due date, such deposit will be deemed deposited on the next Business Day. The Trustee shall not redeem or cause to be redeemed any Securities of a series with sinking fund moneys or mail any notice of redemption of Securities of such series by operation of the sinking fund during the continuance of a Default in payment of interest on such

Securities or of any Event of Default except that, where the delivery of notice of redemption of any Securities shall theretofore have been made, the Trustee shall redeem or cause to be redeemed such Securities, provided that it shall have received from the Company a sum sufficient for such redemption. Except as aforesaid, any moneys in the sinking fund for such series at the time when any such Default or Event of Default shall occur, and any moneys thereafter paid into the sinking fund, shall, during the continuance of such default or Event of Default, be deemed to have been collected under Article 7 and held for the payment of all such Securities. In case such Event of Default shall have been waived as provided in Section 7.4 or the Default cured on or before the 60th day preceding the sinking fund payment date in any year, such moneys shall thereafter be applied on the next succeeding sinking fund payment date in accordance with this Section 3.5 to the redemption of such Securities.

4. COVENANTS

4.1 Payment of Securities

The Company shall pay the Principal of and interest on and any Additional Amounts payable in respect of the Securities on the dates and in the manner provided in the Securities and this Indenture. The interest on Securities (together with any Additional Amounts payable pursuant to the terms of such Securities) shall be payable only to the Holders thereof and at the option of the Company may be paid by mailing checks for such interest payable to or upon the written order of such Holders at their last addresses as they appear on the Security Register. Principal, premium, if any, and interest shall be considered paid on the date due if the Paying Agent, if other than the Company, the Guarantor or one of their Subsidiaries, holds as of 12:00 p.m. New York City time on the due date money deposited by the Company or the Guarantor in immediately available funds and designated for and sufficient to pay all Principal, premium, if any, and interest then due.

Notwithstanding any provisions of this Indenture and the Securities of any series to the contrary, if the Company and a Holder of any Security so agree or if expressly provided pursuant to Section 2.3, payments of interest on, and any portion of the Principal of, such Holder's Security (other than interest payable at maturity or on any redemption or repayment date or the final payment of Principal on such Security) shall be made by the Paying Agent, upon receipt from the Company of immediately available funds by 11:00 a.m., New York City time (or such other time as may be agreed to between the Company and the Paying Agent), directly to the Holder of such Security (by Federal funds wire transfer or otherwise) if the Holder has delivered written instructions to the Trustee 15 days prior to such payment date requesting that such payment will be so made and designating the bank account to which such payments shall be so made and in the case of payments of Principal surrenders the same to the Trustee in exchange for a Security or Securities aggregating the same principal amount as the unredeemed principal amount of the Securities surrendered. The Trustee shall be entitled to rely on the last instruction delivered by the Holder pursuant to this Section 4.1 unless a new instruction is delivered 15 days prior to a payment date. The Company and the Guarantor, jointly and severally, will indemnify and hold each of the Trustee and any Paying Agent harmless against any loss, liability or expense (including attorneys' fees) resulting from any act or omission to act on the part of the Company or any such Holder in connection with any such agreement or from making any payment in accordance with any such agreement.

The Company shall pay interest on overdue Principal, and interest on overdue installments of interest, to the extent lawful, at the rate per annum specified in the Securities.

4.2 Maintenance of Office or Agency

The Company will maintain in the Borough of Manhattan, The City of New York, an office or agency where Securities may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served; and the Guarantor will maintain in the Borough of Manhattan, The City of New York, an office or agency where Securities may be presented for payment under the Guarantees endorsed thereon and where notices and demands to or upon the Guarantor in respect of the Guarantee and this Indenture may be served. The Company and the Guarantor hereby initially designate the Corporate Trust Office of the Trustee, as such office or agency of the Company and the Guarantor. The Company and the Guarantor will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company or the Guarantor shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the address of the Trustee set forth in Section 11.2.

The Company and the Guarantor may also from time to time designate one or more other offices or agencies where the Securities of any series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided that no such designation or rescission shall in any manner relieve either the Company or the Guarantor of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York for such purposes. The Company or the Guarantor, as applicable, will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

4.3 Certificate to Trustee

Each of the Company and the Guarantor will furnish to the Trustee annually, within 120 days after the end of each fiscal year (which is December 31), a brief certificate (which need not contain the statements required by Section 11.4) from its principal executive, financial or accounting officer as to his or her knowledge of the compliance of the Company or the Guarantor, as the case may be, with all conditions and covenants under this Indenture (such compliance to be determined without regard to any period of grace or requirement of notice provided under this Indenture) and, in the event of any default specifying such default and the nature and status thereof of which such person may have knowledge.

4.4 Limitation on Liens

For so long as any Securities are outstanding, none of the Company, the Guarantor, or their Material Subsidiaries will create or have outstanding any mortgage, pledge, lien, charge, or other security interest (collectively, **Liens**) upon the whole or any part of its assets, present or future (including any uncalled capital), in order to secure any existing or future Relevant Capital Market Indebtedness or to secure any guarantee or indemnity in respect thereof without in any such case at the same time securing the Securities equally and ratably with such Relevant Capital Markets Indebtedness (or any guarantee or indemnity in respect thereof) or creating such other security approved by the Company or the Guarantor (as the case may be) and the Holders of a majority in Principal amount of all affected series of Securities, voting as a single class.

Such restrictions on Liens shall not apply to:

- (a) Liens arising by operation of law;
- (b) Liens on the assets of any Person existing at the time such Person is merged with or into or amalgamated or consolidated with the Guarantor or a Material Subsidiy;
- (c) any lien incurred under this clause (c) (or originally incurred under this clause(c) and refinanced under clause (d) for which the aggregate outstanding principal amount of Relevant Capital Market Indebtedness would not at any time exceed an amount equal to 10% of the consolidated total assets of Guarantor as set out in the latest publicly available consolidated financial statements of Guarantor; or
- (d) any extension, renewal, substitution or replacement of the foregoing, provided that the principal amount is not increased and that such lien is not extended to other property.

4.5 Payment of Additional Amounts

All payments of Principal and interest in respect of the Securities shall be free and clear of and without withholding or deduction for or on account of any and all present or future taxes, duties, assessments or governmental charges of any nature imposed, levied, collected, withheld or assessed by or on behalf of (i) the government of Switzerland or of any political subdivision of Switzerland or by any authority or agency therein or thereof having the power to tax, (ii) the government of any other jurisdiction in which the Company or the Guarantor is organized or otherwise considered to be a resident for tax purposes or any political subdivision or territory or possession of such jurisdiction or by any authority or agency therein or thereof having the power to tax or (iii) the government of any jurisdiction from or through which a payment on the Securities or Guarantee is made or any political subdivision or territory or possession of such jurisdiction or by any authority or agency therein or thereof having power to tax (each jurisdiction listed in clauses (i), (ii) and (iii), a **Relevant Taxing Jurisdiction**, which we refer to and all such taxes, duties, assessments or governmental charges collectively, as **Taxes**), except to the extent such Taxes are required to be withheld or deducted by law.

If either the Company or the Guarantor is so required to withhold or deduct any amount for or on account of Taxes from any payment made in respect of the Securities, the Company or the Guarantor, as the case may be, shall pay such additional amounts (**Additional Amounts**) as may be necessary such that the net amount received by each Holder (including such Additional Amounts) after such withholding or deduction shall not be less than the amount such Holder would have received if the Taxes had not been withheld or deducted; provided that no Additional Amounts will be payable with respect to Taxes:

- (a) that would not have been imposed but for the existence of any present or former connection between such Holder or beneficial owner of the Securities (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such Holder or beneficial owner, if such Holder or beneficial owner is an estate, trust, partnership or corporation) and a Relevant Taxing Jurisdiction, including, without limitation, such Holder or beneficial owner (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or treated as a resident thereof or domiciled thereof or a national thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein;

- (b) that are estate, inheritance, gift, sales, transfer, personal property, wealth or similar taxes, duties, assessments or other governmental charges;
- (c) that are payable other than by withholding from payments of Principal of or interest on the Securities;
- (d) that would not have been imposed but for the failure of the applicable recipient of such payment to make a declaration of non-residence or other similar claim for exemption to the relevant tax authority or comply with any certification, identification, information, documentation or other reporting requirement to the extent such compliance is required by applicable law or administrative practice or an applicable treaty as a precondition to exemption from, or reduction in, the rate of deduction or withholding of such Taxes;
- (e) that are required to be withheld or deducted pursuant to laws enacted by Switzerland changing the Swiss federal withholding tax system from an issuer-based system to a paying agent-based system pursuant to which a person other than an issuer or guarantor of debt securities is required to withhold tax on any interest payments;
- (f) that would not have been imposed but for the presentation of a Security (where presentation is required) for payment on a date more than 30 days after the date on which such payment first became due and payable or the date on which payment thereof was duly provided for, whichever occurred later;
- (g) to the extent the amount of Taxes could have been reduced if presentation for payment of the relevant Securities had been made to a paying agent other than the paying agent to which the presentation was made;
- (h) imposed or withheld by reason of the failure of the holder or beneficial owner of a Note to comply with the requirements of Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the **Code**), the U.S. Treasury Regulations issued thereunder or any official interpretation thereof or any intergovernmental agreement entered into pursuant thereto;
- (i) imposed or withheld by or on behalf of the United States or any political subdivision thereof; or
- (j) any combination of the foregoing clauses (a) through (i);

nor will Additional Amounts be paid with respect to any payment of the Principal of or interest on any Security to any such Holder who is a fiduciary or a partnership or a beneficial owner who is other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to such Additional Amounts had it been the Holder of the Security.

Whenever in this Indenture there is referenced, in any context, (1) the payment of Principal or interest, (2) redemption prices or purchase prices in connection with the redemption or purchase of Securities, or (3) any other amount payable under or with respect to Securities, such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

4.6 Calculation of Original Issue Discount

The Company shall direct the Trustee to prepare and file any form required to be submitted by the Company with the Internal Revenue Service and the Holders of the Securities relating to original issue discount, including, without limitation, Form 1099-OID and Form 8281 or any successor forms. The Company shall provide to the Trustee on a timely basis (and in no case later than 30 days before the relevant filing date), such information as the Trustee reasonably requests to enable the Trustee to complete such forms. The Company shall sign any forms prepared by the Trustee to the extent the Company is required to sign such forms and the Trustee shall file such forms in a timely manner with the appropriate persons following receipt thereof from the Company.

4.7 Reports by the Company and the Guarantor

So long as the Guarantor is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company and the Guarantor will supply to the Trustee and Holders of Securities such annual report and reports which contain quarterly financial statements of the Guarantor that the Guarantor files or furnishes with the SEC. In the event that the Guarantor shall not be so obligated to file or furnish such reports with the SEC, the Guarantor shall make available such annual report and quarterly financial statements as it would be required to file or furnish with the SEC if it were subject to Section 13 or 15(d) of the Exchange Act as a foreign private issuer.

Reports and financial statements required to be delivered pursuant to the paragraph above shall be deemed to have been delivered on the date on which the Guarantor posts such reports, or reports containing such financial statements, on its website on the Internet at www.alcon.com or when such reports, or reports containing such financial statements, are posted on the website of the Commission at www.sec.gov.

5. CONSOLIDATION, MERGER OR SALE

5.1 When the Company May Merge, Etc.

The Company shall not consolidate with or merge with or into any other Person or convey or transfer all or substantially all of its respective properties and assets to any Person (except that Company may merge with or into Guarantor), unless:

- (a) Company or Guarantor, as the case may be, is the continuing person, or the successor expressly assumes by supplemental indenture their respective obligations under this Indenture;
- (b) the continuing Person is organized and validly existing under the laws of (i) the United States or Switzerland or a political subdivision thereof, or a jurisdiction that is a member country of the Organization for Economic Co-operation and Development (or any successor thereto) and, if such continuing Person is not organized and validly existing under the laws of the United States, Switzerland, or a political subdivision thereof, such continuing Person shall agree in such supplemental indenture to be bound by a covenant comparable to that described in Section 4.5 with respect to taxes imposed in the continuing Person's jurisdiction of organization, in which case such continuing Person shall benefit from a redemption option comparable to that described in Article 3 in the event of changes in taxes in such jurisdiction after the date of such consolidation, merger or sale;

- (c) immediately after the transaction, no default under this Indenture has occurred and is continuing; and
- (d) the Company or Guarantor, as applicable, delivers to the Trustee an Officer's Certificate and, if neither Company or Guarantor, as applicable, is the continuing Person, an Opinion of Counsel, in each case stating, among other things, that the transaction and the supplemental indenture, if required, comply with these provisions and this Indenture.

5.2 Successor Company Substituted

Upon any consolidation, merger, conveyance or transfer in accordance with Section 5.1 of this Indenture, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance or other transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein.

5.3 When the Guarantor May Merge, Etc.

The Guarantor shall not consolidate with or merge with or into any other Person or convey or transfer all or substantially all of its respective properties and assets to any Person (except that Guarantor may merge with or into Company), unless:

- (a) Guarantor or Company, as the case may be, is the continuing person, or the successor expressly assumes by supplemental indenture their respective obligations under this Indenture;
- (b) the continuing Person is organized and validly existing under the laws of (i) the United States or Switzerland or a political subdivision thereof, or a jurisdiction that is a member country of the Organization for Economic Co-operation and Development (or any successor thereto) and, if such continuing Person is not organized and validly existing under the laws of the United States, Switzerland, or a political subdivision thereof, such continuing Person shall agree in such supplemental indenture to be bound by a covenant comparable to that described in Section 4.5 with respect to taxes imposed in the continuing Person's jurisdiction of organization, in which case such continuing Person shall benefit from a redemption option comparable to that described in Article 3 in the event of changes in taxes in such jurisdiction after the date of such consolidation, merger or sale;
- (c) immediately after the transaction, no default under this Indenture has occurred and is continuing; and
- (d) the Guarantor or Company, as applicable, delivers to the Trustee an Officer's Certificate and, if neither Company or Guarantor, as applicable, is the continuing Person, an Opinion of Counsel, in each case stating, among other things, that the transaction and the supplemental indenture, if required, comply with these provisions and this Indenture.

5.4 Successor Guarantor Substituted

Upon any consolidation, merger, conveyance or transfer in accordance with Section 5.3 of this Indenture, the successor Person formed by such consolidation or into which the

Guarantor is merged or to which such conveyance or transfer shall succeed to, and be substituted for, and may exercise every right and power of, the Guarantor under this Indenture with the same effect as if such successor Person had been named as the Guarantor herein.

6. THE GUARANTEE

6.1 Guarantee

The Guarantor by its execution of this Indenture hereby agrees with each Holder of the Securities authenticated and delivered by the Trustee, and with the Trustee, on behalf of each such Holder, to be unconditionally bound by the terms and provisions of the Guarantee with respect to such Securities and authorizes the Trustee to confirm such Guarantee to the Holder of each such Security by its execution and delivery of each such Security, with such Guarantee endorsed thereon, authenticated and delivered by the Trustee.

The Guarantee to be endorsed on the Securities shall be in substantially the form set forth below:

“GUARANTEE OF ALCON INC.

For value received, Alcon Inc., a stock corporation (*Aktiengesellschaft*) incorporated under the laws of Switzerland, having its principal executive offices at Chemin de Blandonnet 8 1214 Vernier, Geneva, Switzerland (the **Guarantor**, which term includes any Person as a successor Guarantor under this Indenture referred to in the Security upon which this Guarantee is endorsed), hereby fully and unconditionally guarantees to the Holder of the Security upon which this Guarantee is endorsed and to the Trustee on behalf of each such Holder the due and punctual payment of the Principal of, interest on and any Additional Amounts payable in respect of such Security and the due and punctual payment of the sinking fund or analogous payments referred to therein, if any, when and as the same shall become due and payable, whether on the stated maturity date, by declaration of acceleration, call for redemption or otherwise, according to the terms thereof and of this Indenture referred to therein. In case of the failure of Alcon Finance Corporation, a corporation organized under the laws of the State of Delaware (the **Company**, which term includes any successor Person under such Indenture), to punctually make any such payment of Principal, interest or Additional Amounts or any such sinking fund or analogous payment, the Guarantor hereby agrees to cause any such payment to be made punctually when and as the same shall become due and payable, whether on the stated maturity date or by declaration of acceleration, call for redemption or otherwise, and as if such payment were made by the Company.

The indebtedness evidenced by this Guarantee is ranked equally in right of payment with all existing and future unsubordinated indebtedness of the Guarantor.

The Guarantor hereby agrees that its obligations hereunder shall be absolute and unconditional, irrespective of, and shall be unaffected by, any invalidity, irregularity or unenforceability of such Security or such Indenture, any failure to enforce the provisions of such Security or such Indenture, or any waiver, modification or indulgence granted to the Company with respect thereto, by the Holder of such Security or the Trustee or any other circumstance that may otherwise constitute a legal or equitable discharge of a guarantor; provided, however, that, notwithstanding the foregoing, no such waiver, modification or indulgence shall, without the consent of the Guarantor, increase the Principal of such Security, or increase the interest rate thereon, or alter the stated maturity

date thereof, or increase the Principal of any Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the maturity thereof pursuant to Article 7 of such Indenture. The Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger or bankruptcy of the Company, any right to require a proceeding first against the Company, protest or notice with respect to such Security or the indebtedness evidenced thereby or with respect to any sinking fund or analogous payment required under such Security and all demands whatsoever, and covenants that this Guarantee will not be discharged except by payment in full of the Principal of, interest on and Additional Amounts payable in respect of such Security. This Guarantee is a guarantee of payment and not of collection.

The Guarantor shall be subrogated to all rights of the Holder of such Security and the Trustee against the Company in respect of any amounts paid to such Holder by the Guarantor pursuant to the provisions of this Guarantee; provided, however, that the Guarantor shall not be entitled to enforce, or to receive any payments arising out of or based upon such right of subrogation until the Principal of, interest on and Additional Amounts payable in respect of all Securities of the same series issued under such Indenture shall have been paid in full.

No reference herein to such Indenture and no provision of such Indenture shall alter or impair the guarantees of the Guarantor, which are absolute and unconditional, of the due and punctual payment of the Principal of, interest on and Additional Amounts payable in respect of, and any sinking fund or analogous payments with respect to, the Security upon which this Guarantee is endorsed.

This Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication of such Security shall have been manually executed by or on behalf of the Trustee under such Indenture.

All terms used in this Guarantee that are defined in such Indenture shall have the meanings assigned to them in such Indenture.

This Guarantee shall be governed by and construed in accordance with the laws of the State of New York.

Any legal suit, action or proceeding arising out of or based upon this Guarantee (**Related Proceedings**) may be instituted in the federal courts of the United States of America or the courts of the State of New York, in each case located in the City and County of New York (collectively, the **Specified Courts**), and the Company and the Guarantor irrevocably submit to the exclusive jurisdiction (except for suits, actions, or proceedings instituted in regard to the enforcement of a judgment of any Specified Court in a Related Proceeding (a **Related Judgment**)) as to which such jurisdiction is non-exclusive) of the Specified Courts in any Related Proceeding. In respect to the Company, service of any process, summons, notice or document by mail to its address shall be effective service of process for any Related Proceeding brought in any Specified Court. The Company and Guarantor irrevocably and unconditionally waive any objection to the laying of venue of any Related Proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any Specified Court that any Related Proceeding brought in any Specified Court has been brought in an inconvenient forum. The Guarantor irrevocably appoints Corporation Service Company as its agent to receive service of process or other legal summons for purposes of any Related Proceeding that may be instituted in any Specified Court.

IN WITNESS WHEREOF, the Guarantor has caused this Guarantee to be duly executed this th day of .

ALCON INC.,

as Guarantor

By: _____

Name:

Title:

By: _____

Name:

Title: "

7. DEFAULT AND REMEDIES

7.1 Events of Default

An **Event of Default** with respect to the Securities of a series means only one of the following events:

- (a) default in the payment of all or any part of the Principal (or premium, if any) of any Security of that series when due (including as a sinking fund installment), and the continuance of that default for more than two Business Days;
- (b) default in the payment of any interest on or any Additional Amounts payable in respect of any Security of that series when due and payable, and the continuance of that default for 30 days;
- (c) default or breach of any other covenant or agreement of the Company or the Guarantor in this Indenture with respect to any Security of such series (other than a covenant or agreement a default in whose performance or whose breach is specifically dealt with elsewhere in this Section 7.1), and such default or breach continues for a period of 90 days after there has been given to the Company and the Guarantor by the Trustee or to the Company, the Guarantor and the Trustee by the Holders of 25% or more in aggregate principal amount of the Securities of such series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;
- (d) (i) any Indebtedness of, or guaranteed by, the Company or the Guarantor is not paid at its stated maturity or (as the case may be) within any originally applicable grace period; or (ii) any such Indebtedness, or guarantee, of the Company or the Guarantor (as the case may be) becomes due and payable prior to its stated maturity by reason of an event of default (howsoever described); provided that (x) the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above individually or in the aggregate exceeds \$125,000,000 (or its equivalent in any other currency or currencies); and (y) there shall not be deemed to be a default (i) where the Company or the Guarantor in good faith claims a right of set-off or otherwise contests its obligations to pay or (ii) if such acceleration is annulled or such payment or repayment is made within 10 days after there has been given to the Company and the Guarantor by the Trustee or to the Company, the Guarantor and the Trustee by the Holders of 25% or more in aggregate principal amount of the Securities of all series a written notice

specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” hereunder;

- (e) (i) an encumbrancer or a receiver or a person with similar functions appointed for execution (in Switzerland a *Liquidator* or *Konkursverwalter*) taking possession of the whole or any substantial part of the assets or undertaking of the Company or the Guarantor or (ii) a distress, execution or other process (in Switzerland a *Liquidation* or *Konkursverfahren*) being levied or enforced upon or sued out against a substantial part of the property or assets of the Company or the Guarantor, in each case having an aggregate value of at least \$125,000,000 and not being paid, discharged, removed or stayed within 30 days except, in each of cases (i) and (ii) above, in the context of (x) any process, the terms of which having previously been approved by the holders of a majority in principal (or, if any Notes are original issue discount securities, such portion of the principal of such Notes of such series as may then be accelerated pursuant to the terms of such Notes) of the outstanding Notes of all series affected (all such series voting as one class) or (y) any process in connection with any consolidation, merger or sale in accordance with the provisions of Section 5;
- (f) the Company becoming bankrupt or insolvent or entering into a provisional or definitive moratorium or making a general assignment for the benefit of its creditors, provided that the assets which are the subject of the relevant proceeding have an aggregate value of at least \$125,000,000;
- (g) the Guarantor becoming bankrupt or insolvent (or being obliged to notify the court of its over-indebtedness in accordance with Article 725 (2) of the Swiss Code of Obligations) or entering into a provisional or definitive moratorium (*provisorische* or *definitive Nachlassstundung*) or making a general arrangement with its creditors (*Nachlassvertrag*), provided that the assets which are the subject of the relevant proceeding have an aggregate value of at least \$125,000,000;
- (h) an order being made or effective resolution passed for the winding-up or dissolution of the Company or the Guarantor except (i) a winding-up or dissolution, the terms of such winding-up or dissolution having previously been approved by the Holders of a majority in Principal (or, if any Securities are Original Issue Discount Securities, such portion of the Principal of the Securities of the relevant series as may then be accelerated under Section 7.2) of the outstanding Securities of all series affected (all such series voting as a single class) (ii) a winding-up or dissolution in connection with any consolidation, merger or sale in accordance with the provisions of Section 5, or (iii) a winding up or dissolution where assets which are the subject of the relevant proceeding have an aggregate value of less than \$125,000,000;
 - (i) if the Guarantee with respect to the relevant series of Securities is held in any judicial proceeding to be, or is claimed by the Guarantor not to be, in full force and effect; or
 - (j) any other Event of Default established pursuant to Section 2.3 with respect to the Securities of such series occurs.

7.2 Acceleration

- (a) If an Event of Default described in Section 7.1(a) or (b) with respect to the Securities of any series then outstanding occurs and is continuing, then, and in

each and every such case, except for any series of Securities the Principal of which shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate Principal of the Securities of any such affected series then outstanding hereunder (each such series treated as a separate class) by notice in writing to the Company and to the Guarantor (and to the Trustee if given by Holders) may declare the entire Principal (or, if the Securities of any such series are Original Issue Discount Securities, such portion of the Principal as may be specified in the terms of such series established pursuant to Section 2.3) of all Securities of such affected series, and the interest accrued thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable.

- (b) If an Event of Default described in Section 7.1(c) or (j) with respect to the Securities of one or more but not all series then outstanding occurs and is continuing, then, and in each and every such case, except for any series of Securities the Principal of which shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate Principal (or, if the Securities of any such series are Original Issue Discount Securities, the amount thereof that may be accelerated under this Section 7.2) of the Securities of all such affected series then outstanding hereunder (all such affected series treated as a single class) by notice in writing to the Company and to the Guarantor (and to the Trustee if given by Holders) may declare the entire Principal (or, if the Securities of any such series are Original Issue Discount Securities, such portion of the Principal as may be specified in the terms of such series established pursuant to Section 2.3) of all Securities of all such affected series, and the interest accrued thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable.
- (c) If an Event of Default described in Section 7.1(d), or in Section 7.1(c) or (j) with respect to the Securities of all series then outstanding, occurs and is continuing, then, and in each and every such case, except for any series of Securities the Principal of which shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate Principal (or, if the Securities of any outstanding series are Original Issue Discount Securities, the amount thereof that may be accelerated under this Section 7.2) of all Securities of any series then outstanding hereunder (all series treated as a single class) by notice in writing to the Company and to the Guarantor (and to the Trustee if given by Holders) may declare the entire Principal (or, if the Securities of any such series are Original Issue Discount Securities, such portion of the Principal as may be specified in the terms of such series established pursuant to Section 2.3) of all Securities of any series then outstanding, and the interest accrued thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable.
- (d) If an Event of Default described in Section 7.1(e) through (h) occurs and is continuing, then the Principal (or, if any Securities are Original Issue Discount Securities, such portion of the Principal as may be specified in the terms thereof established pursuant to Section 2.3) of all the Securities then outstanding and interest accrued thereon, if any, shall be and become immediately due and payable, without any notice or other action by any Holder or the Trustee, to the full extent permitted by applicable law.

The foregoing provisions, however, are subject to the condition that if, at any time after the Principal (or, if the Securities are Original Issue Discount Securities, such portion of

the Principal as may be specified in the terms thereof established pursuant to Section 2.3) of the Securities of any series (or of all the Securities, as the case may be) shall have been so declared or become due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Company or the Guarantor shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest upon all the Securities of each such series (or of all the Securities, as the case may be) and the Principal of any and all Securities of each such series (or of all the Securities, as the case may be) that shall have become due otherwise than by acceleration (with interest upon such Principal and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest, at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in the Securities of each such series to the date of such payment or deposit) and such amount as shall be sufficient to cover all amounts owing to the Trustee under Section 8.7, and if any and all Events of Default under this Indenture, other than the non-payment of the Principal of Securities that shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then and in every such case, the Holders of a majority in aggregate principal amount of all the then outstanding Securities of all such series that have been accelerated (all accelerated series voting as a single class), by written notice to the Company, to the Guarantor and to the Trustee, may waive all defaults with respect to all such series (or with respect to all the Securities, as the case may be) and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

For all purposes under this Indenture, if a portion of the Principal of any Original Issue Discount Securities shall have been accelerated and declared due and payable pursuant to the provisions hereof, then, from and after such declaration, unless such declaration has been rescinded and annulled, the Principal of such Original Issue Discount Securities shall be deemed, for all purposes hereunder, to be such portion of the Principal thereof as shall be due and payable as a result of such acceleration, and payment of such portion of the Principal thereof as shall be due and payable as a result of such acceleration, together with interest, if any, thereon and all other amounts owing thereunder, shall constitute payment in full of such Original Issue Discount Securities.

7.3 Other Remedies

If a payment default or an Event of Default with respect to the Securities of any series occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of Principal of and interest on the Securities of such series or to enforce the performance of any provision of the Securities of such series or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding.

7.4 Waiver of Past Defaults

Subject to Sections 7.2, 7.7 and 10.2, the Holders of at least a majority in principal amount (or, if the Securities are Original Issue Discount Securities, the amount thereof that may be accelerated under Section 7.2) of the outstanding Securities of all series affected (all such affected series voting as a single class), by notice to the Trustee, may waive an existing Default or Event of Default with respect to the Securities of such series and its consequences, except a Default in the payment of Principal of or interest on any

Security as specified in Section 7.1(a) or (b) or in respect of a covenant or provision of this Indenture that cannot be modified or amended without the consent of the Holder of each outstanding Security affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default with respect to the Securities of such series arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

7.5 Control by Majority

Subject to Sections 8.1 and 8.2(e), the Holders of at least a majority in aggregate principal amount (or, if any Securities are Original Issue Discount Securities, the amount thereof that may be accelerated under Section 7.2) of the outstanding Securities of all series affected (all such affected series voting as a single class) may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Securities of such series by this Indenture; provided, that the Trustee may refuse to follow any direction that conflicts with law or this Indenture, that may involve the Trustee in personal liability or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction (*provided, however, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction*); and provided further, that the Trustee may take any other action it deems proper that is not inconsistent with any directions received from Holders of Securities pursuant to this Section 7.5. Prior to taking any such action hereunder, the Trustee shall be entitled to indemnification and/or security satisfactory to it against all fees, losses, liabilities and expenses (including attorney's fees and expenses) caused by or that might be caused by taking or not taking such action.

7.6 Limitation on Suits

No Holder of any Security of any series may institute any proceeding, judicial or otherwise, with respect to this Indenture or the Securities of such series, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless the Trustee fails to act for 60 days after it is given:

- (a) a written notice of a continuing Event of Default with respect to the Securities of such series;
- (b) a written request to enforce this Indenture by the Holders of at least 25% in aggregate principal amount of outstanding Securities of all such series affected;
- (c) an indemnity and/or security satisfactory to the Trustee against any costs, liabilities or expenses to be incurred in compliance with such request; and
- (d) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Securities of all such affected series do not give the Trustee a direction that is inconsistent with such written request.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over such other Holder.

7.7 Rights of Holder to Receive Payment

Notwithstanding any other provision of this Indenture, the right of any Holder of a Security to receive payment of Principal of, interest on or Additional Amounts payable in respect of such Holder's Security on or after the respective due dates expressed on such Security, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

7.8 Collection Suit by Trustee

If an Event of Default with respect to the Securities of any series in payment of Principal or interest specified in Section 7.1(a) or (b) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company and the Guarantor for the whole amount (or such portion thereof as specified in the terms established pursuant to Section 2.3 of Original Issue Discount Securities) of Principal of, and accrued interest remaining unpaid on, together with interest on overdue Principal of, and, to the extent that payment of such interest is lawful, interest on overdue installments of interest on, the Securities of such series, in each case at the rate or Yield to Maturity (in the case of Original Issue Discount Securities) specified in such Securities, and such further amount as shall be sufficient to cover all amounts owing the Trustee under Section 8.7.

7.9 Trustee May File Proofs of Claim

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for amounts due the Trustee under Section 8.7) and the Holders allowed in any judicial proceedings relative to the Company (or any other obligor on the Securities), the Guarantor, the creditors of the Company or the Guarantor, or the property of the Company or the Guarantor and shall be entitled and empowered to collect and receive any moneys, securities or other property payable or deliverable upon conversion or exchange of the Securities or upon any such claims and to distribute the same, and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it under Section 8.7. Nothing herein contained shall be deemed to empower the Trustee to authorize or consent to, or accept or adopt on behalf of any Holder, any plan of reorganization, arrangement, adjustment or composition affecting the Securities, the Guarantee or the rights of any Holder under the Securities or the Guarantee, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

7.10 Application of Proceeds

Any moneys collected by the Trustee pursuant to this Article 7 in respect of the Securities of any series shall be applied in the following order at the date or dates fixed by the Trustee and, in case of the distribution of such moneys on account of Principal, interest or Additional Amounts, if any, upon presentation of the several Securities in respect of which moneys have been collected and noting thereon the payment, or issuing Securities of such series and tenor in reduced principal amounts in exchange for the presented Securities of such series and tenor if only partially paid, or upon surrender thereof if fully paid:

- (a) To the payment of all amounts due the Trustee under Section 8.7 applicable to the Securities of such series in respect of which moneys have been collected;
- (b) In case the Principal of the Securities of such series in respect of which moneys have been collected shall not have become and be then due and payable, to the payment of interest on and Additional Amounts, if any, in respect of the Securities of such series in default in the order of the maturity of the installments of such interest and Additional Amounts, if any, with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest and Additional Amounts, if any, at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in such Securities, such payments to be made ratably to the persons entitled thereto, without discrimination or preference;
- (c) In case the Principal of the Securities of such series in respect of which moneys have been collected shall have become and shall be then due and payable, to the payment of the whole amount then owing and unpaid upon all the Securities of such series for Principal, interest and Additional Amounts, if any, with interest upon the overdue Principal, and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in the Securities of such series; and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Securities of such series, then to the payment of such Principal and interest or Yield to Maturity, without preference or priority of Principal over interest or Yield to Maturity, or of interest or Yield to Maturity over Principal, or of any installment of interest over any other installment of interest, or of any Security of such series over any other Security of such series, ratably to the aggregate of such Principal and accrued and unpaid interest or Yield to Maturity; and
- (d) To the payment of the remainder, if any, to the Company, or to the extent the Trustee collects any amount pursuant to the Guarantee, the Guarantor, or any other person lawfully entitled thereto.

7.11 Restoration of Rights and Remedies

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then, and in every such case, subject to any determination in such proceeding, the Company, the Guarantor, the Trustee and the Holders shall be restored to their former positions hereunder and thereafter all rights and remedies of the Company, the Guarantor, Trustee and the Holders shall continue as though no such proceeding had been instituted.

7.12 Undertaking for Costs

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, in either case in respect to the Securities of any series, a court may require any party litigant in such suit (other than the Trustee) to file an undertaking to pay the costs of the suit, and the court may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant (other than the Trustee) in the suit having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 7.12 does

not apply to a suit by a Holder pursuant to Section 7.7 or a suit by Holders of more than 10% in principal amount of the outstanding Securities of such series.

7.13 Rights and Remedies Cumulative

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or wrongfully taken Securities in Section 2.8, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

7.14 Delay or Omission Not Waiver

No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article 7 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

8. TRUSTEE

8.1 General

The duties and responsibilities of the Trustee shall be as set forth herein. Notwithstanding the foregoing, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have grounds for believing that repayment of such funds or adequate indemnity and/or security against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article 8. The Trustee, prior to the occurrence of an Event of Default of which a Responsible Officer of the Trustee has actual knowledge and after the curing of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee. If an Event of Default to the actual knowledge of a Responsible Officer of the Trustee has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. Except as set forth above, no provision of this Indenture shall be construed to relieve the Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act or its own willful misconduct.

8.2 Certain Rights of Trustee

- (a) the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any Officer's Certificate, Opinion of Counsel, resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or

other paper or document believed by it to be genuine and to have been signed or presented by the proper person or persons. The Trustee need not investigate any fact or matter stated in the document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled, following reasonable notice, to make reasonable examination of the books, records and premises of the Company or the Guarantor, as the case may be, personally or by agent or attorney at the sole cost of the Company or the Guarantor, as the case may be, and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation;

- (b) before the Trustee acts or refrains from acting, it may require an Officer's Certificate and/or an Opinion of Counsel, which shall conform to Section 11.4. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such certificate or opinion. Subject to Section 8.1, whenever in the administration of the trusts of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting to take any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of gross negligence or willful misconduct on the part of the Trustee, be deemed to be conclusively proved and established by an Officer's Certificate delivered to the Trustee, and such certificate, in the absence of gross negligence or willful misconduct on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted to be taken by it under the provisions of this Indenture upon the faith thereof;
- (c) the Trustee may act through its attorneys, agents, custodians and nominees not regularly in its employ and shall not be responsible for the misconduct or negligence of any agent, attorney, custodian and nominee appointed with due care;
- (d) any request, direction, order or demand of the Company or the Guarantor mentioned herein shall be sufficiently evidenced by an Officer's Certificate (unless other evidence in respect thereof be herein specifically prescribed), and any Board Resolutions may be evidenced to the Trustee by a copy thereof certified by an Officer, the secretary or an assistant secretary of the Company or the Guarantor, as the case may be;
- (e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders, unless such Holders shall have offered to the Trustee security and/or indemnity satisfactory to it against the costs, expenses and liabilities that might be incurred by it in compliance with such request, order or direction;
- (f) the Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within its rights or powers or for any action it takes or omits to take in accordance with the direction of the Holders in accordance with Section 7.5 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;
- (g) the Trustee may consult with counsel of its selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and

protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in reliance thereon;

- (h) subject to the other provisions of this Section 8.2, prior to the occurrence of an Event of Default hereunder and after the curing or waiving of all Events of Default, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, Officer's Certificate, Opinion of Counsel, Board Resolutions, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, note, coupon, security, or other paper or document unless requested in writing so to do by the Holders of not less than a majority in aggregate principal amount of the Securities of all series affected then outstanding;
- (i) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder; and
- (j) the Trustee may request that the Company and the Guarantor deliver an Officer's Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officer's Certificate may be signed by any person authorized to sign an Officer's Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.
- (k) the Trustee shall not be required to give any bond or surety in respect of the execution of the trusts, powers, and duties under this Indenture.
- (l) in no event shall the Trustee be responsible or liable for punitive, special, indirect or any consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.
- (m) the Trustee shall not be charged with knowledge of any Default or Event of Default with respect to the Securities, unless either (i) a Responsible Officer of the Trustee shall have actual knowledge of such Default or Event of Default or (ii) written notice of such Default or Event of Default shall have been given to a Responsible Officer of the Trustee at the Corporate Trust Office of the Trustee by the Company or any Holder, and such notice references the Securities, the Company and this Indenture.
- (n) the permissive rights of the Trustee enumerated herein shall not be construed as duties of the Trustee.
- (o) delivery of any reports, information and documents to the Trustee under this Indenture is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on an Officer's Certificate or the certificate required by Section 4.3).

8.3 Individual Rights of Trustee

The Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Company and the Guarantor with the same rights it would have if it were not the Trustee. Any Agent may do the same with like rights.

8.4 Trustee's Disclaimer

The recitals contained herein and in the Securities (except the Trustee's certificate of authentication) shall be taken as statements of the Company or the Guarantor and not of the Trustee, and the Trustee assumes no responsibility for the correctness of the same. Neither the Trustee nor any of its agents makes any representation as to the validity or adequacy of this Indenture, the Securities or the Guarantees, except that the Trustee represents that it is duly authorized to execute and deliver this Indenture, authenticate Securities and perform its obligations hereunder. Neither the Trustee nor any of its agents shall be accountable for the Company's or the Guarantor's use or application of the proceeds from the Securities or for moneys paid over to the Company or the Guarantor pursuant to this Indenture.

8.5 Notice of Default

If any Default with respect to the Securities of any series occurs and is continuing and if such Default is known to a Responsible Officer of the Trustee, the Trustee shall give to each Holder of Securities of such series notice of such Default within 90 days after it occurs at their addresses as the same shall then appear on the register of the Securities kept by the Registrar, unless such Default shall have been cured or waived before the mailing or publication of such notice; provided, however, that, except in the case of a Default in the payment of the Principal of, interest on or any Additional Amounts with respect to any Security of such Series, or in the payment of any sinking fund installment with respect to Securities of such series, the Trustee shall be fully protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Holders; and provided further that in the case of any default or breach of the character specified in Section 7.1(c) with respect to Securities of such series, no such notice to Holders shall be given until at least 60 days after the occurrence thereof.

8.6 [Reserved.]

8.7 Compensation and Indemnity

The Company and the Guarantor, jointly and severally, shall pay to the Trustee such compensation as shall be agreed upon in writing from time to time for its services. The compensation of the Trustee shall not be limited by any law on compensation of a trustee of an express trust. The Company and the Guarantor, jointly and severally, shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by the Trustee (including the reasonable expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its gross negligence or willful misconduct (as adjudicated by a court of competent jurisdiction in a final non-appealable decision).

The Company and the Guarantor, jointly and severally, shall indemnify the Trustee for, and hold it harmless against, any loss, liability, claim, damage or expense, including taxes (other than income taxes), incurred by it without gross negligence or willful misconduct (as adjudicated by a court of competent jurisdiction in a final non-appealable decision) on its part arising out of or in connection with the acceptance or administration of this Indenture and the Securities or the issuance of the Securities or a series thereof or the trusts hereunder and the performance of its duties under this Indenture and the Securities, including the costs and expenses of defending itself against or investigating any claim asserted by any Person or liability in connection with the exercise or performance of any of its powers or duties under this Indenture and the Securities or in connection with enforcing the provisions of this Section 8.7.

The obligations of the Company and the Guarantor under this Section 8.7 to compensate and indemnify the Trustee and each predecessor Trustee and to pay or reimburse the Trustee and each predecessor Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture or the rejection or termination of this Indenture under bankruptcy, insolvency or similar law or the earlier resignation or removal of the Trustee. Such additional indebtedness shall be a senior claim to that of the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Holders of particular Securities, and the Securities are hereby subordinated to such senior claim. If the Trustee renders services and incurs expenses following an Event of Default under Section 7.1(g) or (h) hereof, the parties hereto and the Holders by their acceptance of the Securities hereby agree that such expenses are intended to constitute expenses of administration under any bankruptcy, insolvency or similar law.

8.8 Replacement of Trustee

A resignation or removal of the Trustee as Trustee with respect to the Securities of any series and appointment of a successor Trustee as Trustee with respect to the Securities of any series shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 8.8.

The Trustee may resign as Trustee with respect to the Securities of any series at any time by so notifying the Company and the Guarantor in writing. The Holders of a majority in principal amount of the outstanding Securities of any series may remove the Trustee as Trustee with respect to the Securities of such series by so notifying the Trustee in writing and may appoint a successor Trustee with respect thereto with the consent of the Company. The Company may remove the Trustee as Trustee with respect to the Securities of any series if: (a) the Trustee is no longer eligible under Section 8.10 of this Indenture; (b) the Trustee is adjudged a bankrupt or insolvent; (c) a receiver or other public officer takes charge of the Trustee or its property; or (d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed as Trustee with respect to the Securities of any series, or if a vacancy exists in the office of Trustee with respect to the Securities of any series for any reason, the Company shall promptly appoint a successor Trustee with respect thereto. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the outstanding Securities of such series may appoint a successor Trustee in respect of such Securities to replace the successor Trustee appointed by the Company. If the successor Trustee with respect to the Securities of any series does not deliver its written acceptance required by the next succeeding paragraph of this Section 8.8 within 30 days after the retiring Trustee resigns or is removed, the retiring

Trustee (at the Company's expense), the Company or the Holders of a majority in principal amount of the outstanding Securities of such series may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect thereto.

A successor Trustee with respect to the Securities of any series shall deliver a written acceptance of its appointment to the retiring Trustee, to the Company and to the Guarantor. Immediately after the delivery of such written acceptance, subject to the payment of any and all amounts then due and owing to the retiring Trustee, (a) the retiring Trustee shall transfer all property held by it as Trustee in respect of the Securities of such series to the successor Trustee, (b) the resignation or removal of the retiring Trustee in respect of the Securities of such series shall become effective and (c) the successor Trustee shall have all the rights, powers and duties of the Trustee in respect of the Securities of such series under this Indenture. A successor Trustee shall mail notice of its succession to each Holder of Securities of such series.

Upon request of any such successor Trustee, the Company and the Guarantor shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in the preceding paragraph.

The Company shall give notice of any resignation and any removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee in respect of the Securities of such series to all Holders of Securities of such series. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

Notwithstanding replacement of the Trustee with respect to the Securities of any series pursuant to this Section 8.8, the Company's and the Guarantor's obligations under Section 8.7 shall continue for the benefit of the retiring Trustee.

8.9 Successor Trustee by Merger, Etc.

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation or national banking association, the resulting, surviving or transferee corporation or national banking association without any further act shall be the successor Trustee with the same effect as if the successor Trustee had been named as the Trustee herein; provided that such successor Trustee shall be otherwise qualified and eligible under this Article 8.

8.10 Eligibility

The Trustee shall have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition.

8.11 Money Held in Trust

The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law and except for money held in trust under Article 9 of this Indenture.

8.12 [Reserved.]

8.13 [Reserved.]

9. DISCHARGE OF INDENTURE; DEFEASANCE

9.1 Discharge; Defeasance within One Year of Payment

Except as otherwise provided in this Section 9.1, the Company or the Guarantor may terminate the obligations of the Company and the Guarantor under the Securities of any series, the Guarantee and this Indenture with respect to Securities of such series if:

- (a) all Securities of such series previously authenticated and delivered (other than destroyed, lost or wrongfully taken) Securities of such series that have been replaced or paid or Securities of such series that are paid pursuant to Section 4.1 or Securities of such series for whose payment money or securities have theretofore been held in trust and thereafter repaid to the Company or the Guarantor, as provided in Section 9.5) have been delivered to the Trustee for cancellation and the Company (or the Guarantor pursuant to the Guarantee) has paid all sums payable by it hereunder; or
- (b)
 - (i) all Securities of any series outstanding under this Indenture not theretofore delivered to the Trustee for cancellation shall have become due and payable or are by their terms or scheduled to become due and payable within one year;
 - (ii) the Company or the Guarantor irrevocably deposits in trust with the Trustee, as trust funds solely for the benefit of the Holders of such Securities for that purpose, money or U.S. Government Obligations or a combination thereof sufficient, without consideration of any reinvestment, to pay the Principal of and interest on the Securities of such series to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder; provided, that upon any redemption that requires the payment of any applicable premium, the amount deposited shall be sufficient for purposes of this Indenture to the extent that an amount is deposited with the Trustee equal to the applicable premium calculated as of the date of the notice of redemption, with any deficit as of the date of redemption (any such amount, the **Applicable Premium Deficit**) only required to be deposited with the Trustee on or prior to the date of redemption. Any Applicable Premium Deficit shall be set forth in an Officer's Certificate delivered to the Trustee simultaneously with the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit shall be applied toward such redemption; and

With respect to the foregoing clause (a), only the Company's and the Guarantor's obligations under Section 8.7 in respect of the Securities of such series shall survive. With respect to the foregoing clause (b), only the obligations of the Company and the Guarantor in Sections 2.2 through 2.12, 4.2, 8.7, 8.8, 9.4 and 9.5, as applicable, in respect of the Securities of such series and the Guarantee thereof shall survive until such Securities of such series are no longer outstanding. Thereafter, only the obligations of the Company and the Guarantor in Sections 8.7, 9.4 and 9.5, as applicable, in respect of the Securities of such series and the Guarantee thereof shall survive. After any such irrevocable notice of deposit, the Trustee upon written request shall acknowledge in writing the discharge of the obligations of the Company and the Guarantor under the

Securities of such series, the Guarantee thereof and this Indenture with respect to the Securities of such series except for those surviving obligations specified above.

9.2

Defeasance

Except as provided below, the Company will be deemed to have paid, and the Company and the Guarantor will be discharged from any and all obligations in respect of, the Securities of any series and the Guarantee thereof, and the provisions of this Indenture will no longer be in effect with respect to the Securities of such series and the Guarantee thereof (and the Trustee, at the expense of the Company and the Guarantor, shall execute proper instruments acknowledging the same), provided that the following conditions shall have been satisfied:

- (a) the Company or the Guarantor has irrevocably deposited in trust with the Trustee as trust funds solely for the benefit of the Holders of the Securities of such series, for payment of the Principal of, interest on and any Additional Amounts payable in respect of the Securities of such series, money or U.S. Government Obligations or a combination thereof sufficient (unless such funds consist solely of money, in the opinion of a nationally recognized financial institution or firm of independent public accountants expressed in writing and delivered to the Trustee) without consideration of any reinvestment and after payment of all federal, state and local taxes or other charges and assessments in respect thereof payable by the Trustee, to pay and discharge the Principal of, interest on and any Additional Amounts payable in respect of the outstanding Securities of such series to maturity or earlier redemption (irrevocably provided for under arrangements satisfactory to the Trustee), as the case may be; provided, that upon any redemption that requires the payment of any applicable premium, the amount deposited shall be sufficient for purposes of this Indenture to the extent that an amount is deposited with the Trustee equal to the applicable premium calculated as of the date of the notice of redemption, with any Applicable Premium Deficit only required to be deposited with the Trustee on or prior to the date of redemption. Any Applicable Premium Deficit shall be set forth in an Officer's Certificate delivered to the Trustee simultaneously with the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit shall be applied toward such redemption;
- (b) such deposit will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than this Indenture) to which the Company or the Guarantor, as the case may be, is a party or by which it is bound (other than that resulting from borrowing funds to be applied to make such deposit and any similar and simultaneous deposit relating to other Indebtedness, and in each case the granting of Liens in connection therewith);
- (c) no Default (other than that resulting from borrowing funds to be applied to make such deposit and any similar and simultaneous deposit relating to other Indebtedness, and in each case the granting of Liens in connection therewith) with respect to the Securities of such series shall have occurred and be continuing on the date of such deposit;
- (d) the Company shall have delivered to the Trustee an Opinion of Counsel confirming that the Holders of the Securities of such series will not recognize income, gain or loss for U.S. federal income tax purposes with regard to their ownership of the Securities of such series solely as a result of such discharge under this Section 9.2 and shall be subject to U.S. federal income tax on the same amounts, in the same manner and at the same time as would have been in the case

if such discharge had not occurred, which Opinion of Counsel shall be based on a change in current U.S. federal income tax law or a ruling received from or published by the U.S. Internal Revenue Service; and

- (e) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the defeasance contemplated by this Section 9.2 of the Securities of such series have been complied with.

The obligations of the Company and the Guarantor in Sections 2.2 through 2.12, 4.2, 8.7, 8.8, 9.4 and 9.5, as applicable, with respect to the Securities of such series and the Guarantee thereof shall survive until such Securities are no longer outstanding. Thereafter, only the obligations of the Company and the Guarantor in Sections 8.7 and 9.5, as applicable, shall survive.

The defeasance of obligations in respect of Securities of any series by the Company and the Guarantor under this Section 9.2 shall be effective notwithstanding any prior covenant defeasance in respect of Securities of such series by the Company or the Guarantor under Section 9.3.

9.3 **Covenant Defeasance**

The Company and the Guarantor may omit to comply with the covenants in Sections 4.3, 4.4, 4.5, 4.7, 5.1 and 5.3 and any other covenant relating to such series provided for in a Board Resolutions, an Officer's Certificate or supplemental indenture pursuant to Section 2.3, and such omission shall be deemed not to be an Event of Default under Section 7.1(c) or (j), with respect to the outstanding Securities of a series if:

- (a) the Company or the Guarantor has irrevocably deposited in trust with the Trustee as trust funds solely for the benefit of the Holders of the Securities of such series, for payment of the Principal of, interest on and any Additional Amounts payable in respect of the Securities of such series, money or U.S. Government Obligations or a combination thereof in an amount sufficient (unless such funds consist solely of money, in the opinion of a nationally recognized financial institution or firm of independent public accountants expressed in writing and delivered to the Trustee) without consideration of any reinvestment and after payment of all federal, state and local taxes or other charges and assessments in respect thereof payable by the Trustee, to pay and discharge the Principal of, interest on and any Additional Amounts payable in respect of the outstanding Securities of such series to maturity or earlier redemption (irrevocably provided for under arrangements satisfactory to the Trustee), as the case may be; provided, that upon any redemption that requires the payment of any applicable premium, the amount deposited shall be sufficient for purposes of this Indenture to the extent that an amount is deposited with the Trustee equal to the applicable premium calculated as of the date of the notice of redemption, with any Applicable Premium Deficit only required to be deposited with the Trustee on or prior to the date of redemption. Any Applicable Premium Deficit shall be set forth in an Officer's Certificate delivered to the Trustee simultaneously with the deposit of such Applicable Premium Deficit that confirms that such Applicable Premium Deficit shall be applied toward such redemption;
- (b) the Company shall have delivered to the Trustee an Opinion of Counsel confirming that the Holders of the Securities of such series will not recognize income, gain or loss for U.S. federal income tax purposes with regard to their

ownership of the Securities of such series solely as a result of such deposit and covenant defeasance and shall be subject to U.S. federal income tax on the same amounts, in the same manner and at the same time as would have been in the case if such discharge had not occurred, which Opinion of Counsel shall be based on a change in current U.S. federal income tax law or a ruling received from or published by the U.S. Internal Revenue Service; and

- (c) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the covenant defeasance contemplated by this Section 9.3 of the Securities of such series have been complied with.

9.4 Application of Trust Money

Subject to Section 9.5, the Trustee or Paying Agent shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 9.1, 9.2 or 9.3, as the case may be, in respect of the Securities of any series and shall apply the deposited money and the proceeds from deposited U.S. Government Obligations in accordance with the Securities of such series and this Indenture to the payment of Principal of, interest on and any Additional Amounts payable in respect of the Securities of such series; but such money need not be segregated from other funds except to the extent required by law. The Company and the Guarantor, jointly and severally, agrees to pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 9.1, 9.2 or 9.3 or the Principal or interest received in respect thereof other than any such tax, fee or other charge that by law is for the account of the Holders of outstanding Securities.

9.5 Repayment to Company and Guarantor

Subject to Sections 8.7, 9.1, 9.2 and 9.3, the Trustee and the Paying Agent shall promptly pay to the Company or to the Guarantor, as the case may be, upon request set forth in an Officer's Certificate any money or U.S. Government Obligations originally paid by a party making such request held by them at any time and not required to make payments hereunder and thereupon shall be relieved from all liability with respect to such money or U.S. Government Obligations. The Trustee and the Paying Agent shall pay to the Company or to the Guarantor, as the case may be, upon written request any money or U.S. Government Obligations originally paid by a party making such request held by them and required to make payments hereunder that

- (a) remains unclaimed for two years; or
- (b) in the opinion of a nationally recognized financial institution or firm of independent public accountants expressed in writing and delivered to the Trustee and Paying Agent, are in excess of the amount that would then be required to be deposited to effect defeasance or covenant defeasance, as the case may be, in accordance with this Article 9.

After payment to the Company or to the Guarantor, Holders entitled to such money must look to the Company or to the Guarantor, as the case may be, for payment as general creditors unless an applicable law designates another Person, and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

10. AMENDMENTS, SUPPLEMENTS AND WAIVERS

10.1 Without Consent of Holders

The Company, the Guarantor and the Trustee are permitted to make modifications and amendments to this Indenture, the Guarantee or the Securities of any series without the notice to or consent of any Holders for any of the following purposes:

- (a) to cure any ambiguity, defect or inconsistency in this Indenture; provided that such amendments or supplements shall not materially and adversely affect the interests of the Holders;
- (b) to comply with Sections 5.1 and 5.3;
- (c) to comply with any requirements of the Commission in connection with the qualification of this Indenture under the Trust Indenture Act;
- (d) to evidence and provide for the acceptance of appointment hereunder with respect to the Securities of any or all series by a successor Trustee;
- (e) to establish the form or forms or terms of Securities of any series or of the coupons appertaining to such Securities as permitted by Section 2.3;
- (f) to provide for uncertificated Securities and to make all appropriate changes for such purpose;
- (g) to provide for a further guarantee from a third party on outstanding Securities of any series and the Securities of any series that may be issued under this Indenture;
- (h) to provide for the issuance of additional Securities of any series in accordance with the limitations set forth in this Indenture;
- (i) to change or eliminate any provision of this Indenture; provided that any such change or elimination shall become effective only when there are no outstanding Securities of any series created prior to the execution of such supplemental indenture that is entitled to the benefit of such provision;
- (j) to supplement any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of any series of Securities pursuant to Sections 9.1, 9.2 and 9.3, provided that any such action shall not adversely affect the interests of the Holders of such or any other series of Securities in any material respect;
- (k) to conform the text of this Indenture or the Securities of any series to any provision of a description of such Securities in the Description of Notes; or
- (l) to make any change that does not materially and adversely affect the rights of any Holder.

10.2 With Consent of Holders

Subject to Sections 7.4 and 7.7, without prior notice to any Holders, the Company, the Guarantor and the Trustee may amend this Indenture, the Guarantee and the Securities of any series with the written consent of the Holders of a majority in Principal (or, if any Securities are Original Issue Discount Securities, such portion of the Principal as may then be accelerated under Section 7.2) of the outstanding Securities of all series affected

by such amendment (all such series voting as a single class), and the Holders of a majority in Principal (or, if any Securities are Original Issue Discount Securities, such portion of the Principal as may then be accelerated under Section 7.2) of the outstanding Securities of all series affected thereby (all such series voting as a single class) by written notice to the Trustee may waive future compliance by the Company and the Guarantor with any provision of this Indenture, the Guarantee or the Securities of such series (including, without limitation, consents contained in connection with a purchase of, or exchange offer for, Securities).

Notwithstanding the provisions of this Section 10.2, without the consent of each Holder affected thereby, an amendment or waiver, including a waiver pursuant to Section 7.4, may not:

- (a) (i) extend the stated maturity of the Principal of, or any sinking fund obligation or any installment of interest on, such Holder's Security, (ii) reduce the Principal thereof, the rate of interest thereon (including any amount in respect of original issue discount), or the Additional Amounts payable in respect thereof, (iii) reduce the premium payable upon redemption or change the time at which the Securities of a series may be redeemed, (iv) reduce the amount of the Principal of an Original Issue Discount Security that would be due and payable upon an acceleration of the maturity thereof pursuant to Section 7.2, (v) change any place of payment where, or the currency in which, any Principal, interest thereon or Additional Amounts payable in respect thereof is payable, (vi) materially and adversely affect the economic terms of any right to convert or exchange such Holder's Security for another security, or (vii) impair the right to institute suit for the enforcement of any such payment on or after the due date therefor with respect to Securities of a series;
- (b) reduce the percentage in principal amount of outstanding Securities of the relevant series the consent of whose Holders is required for any such supplemental indenture, or for any waiver of compliance with certain provisions of this Indenture or certain Defaults and their consequences provided for in this Indenture, provided however, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to "the Trustee" and concomitant changes in this Section 10.2;
- (c) waive a Default in the payment of Principal of or interest on Securities of a series of such Holder (except a rescission of acceleration and the resulting waiver of payment default by Holders of at least a majority in principal amount of the outstanding Securities of all series affected under Section 7.4 of this Indenture); or
- (d) modify any of the provisions of this Section 10.2, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each outstanding Security affected thereby.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of Holders of Securities of such series with respect to such covenant or provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series or of the coupons appertaining to such Securities.

It shall not be necessary for the consent of any Holder under this Section 10.2 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 10.2 becomes effective, the Company shall give to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. The Company will deliver supplemental indentures to Holders upon request. Any failure of the Company to deliver such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture or waiver.

10.3 Revocation and Effect of Consent

Until an amendment or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the Security of the consenting Holder, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to its Security or portion of its Security. Such revocation shall be effective only if the Trustee receives the notice of revocation before the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver shall become effective with respect to any Securities affected thereby on receipt by the Trustee of written consents from the requisite Holders of outstanding Securities affected thereby.

The Company may, but shall not be obligated to, fix a record date (which may be not less than 10 nor more than 60 days prior to the solicitation of consents) for the purpose of determining the Holders of the Securities of any series affected entitled to consent to any amendment, supplement or waiver. If a record date is fixed, then, notwithstanding the immediately preceding paragraph, those Persons who were such Holders at such record date (or their duly designated proxies) and only those Persons shall be entitled to consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such Persons continue to be such Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date. After an amendment, supplement or waiver becomes effective with respect to the Securities of any series affected thereby, it shall bind every Holder of such Securities unless it is of the type described in any of clauses (a) through (d) of Section 10.2. In case of an amendment or waiver of the type described in clauses (a) through (d) of Section 10.2, the amendment or waiver shall bind each such Holder who has consented to it and every subsequent Holder of a Security that evidences the same indebtedness as the Security of the consenting Holder.

10.4 Notation on or Exchange of Securities

If an amendment, supplement or waiver changes the terms of any Security, the Trustee may require the Holder thereof to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security about the changed terms and return it to the Holder and the Trustee may place an appropriate notation on any Security of such series thereafter authenticated. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Security shall issue, and upon receipt of a written request from the Company, the Trustee shall authenticate a new Security of the same series and tenor that reflects the changed terms.

10.5 Trustee to Sign Amendments, Etc.

The Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel and/or an Officer's Certificate stating that the execution of any amendment, supplement or waiver authorized pursuant to this Article 10 is authorized or permitted by this Indenture, stating that all requisite consents have been obtained or that no consents are required and stating that such supplemental indenture constitutes the legal, valid and binding obligation of the Company and the Guarantor, enforceable against the Company and the Guarantor in accordance with its terms, subject to customary exceptions. Subject to the preceding sentence, the Trustee shall sign such amendment, supplement or waiver if the same does not adversely affect the rights of the Trustee. The Trustee may, but shall not be obligated to, execute any such amendment, supplement or waiver that affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

10.6 [Reserved.]

11 MISCELLANEOUS

11.1 [Reserved.]

11.2 Notices

Any notice or communication shall be sufficiently given if written and (a) if delivered in person, when received or (b) if mailed by first class mail, five days after mailing, or (c) as between any two of the Company, the Guarantor and the Trustee if sent by facsimile or electronic transmission, when transmission is confirmed, in each case addressed as follows:

if to the Company, as applicable, either to:

Alcon Finance Corporation
6201 South Freeway
Fort Worth, TX USA 76134

Telephone No.: +1 817-293-0450
Attention: Company Secretary

in each case with a copy to the Guarantor at the address indicated below

if to the Guarantor:

Alcon Inc.
Chemin de Blandonnet 8
Vernier 1214, Switzerland

Telephone No.: +41 58 911 20 00
Attention: Group General Counsel

if to the Trustee:

Citibank, N.A.
390 Greenwich Street
New York, New York 10013

Telephone No.: +1 (212) 816-5805
Facsimile No.: +1 (347) 767-2639
Attention: Louis Piscitelli

The Company, the Guarantor or the Trustee by written notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication shall be sufficiently given to Holders of Securities by mailing to such Holders at their addresses as they shall appear on the Security Register. Notice mailed shall be sufficiently given if so mailed within the time prescribed. Copies of any such communication or notice to a Holder shall also be mailed to the Trustee and each Agent at the same time. Notwithstanding any other provision of this Indenture or any Security, where this Indenture or any Security provides for notice of any event (including any notice of redemption or repurchase) to a Holder of a Global Security (whether by mail or otherwise), such notice shall be sufficiently given if given to the Depositary (or its designee) pursuant to the standing instructions from the Depositary or its designee, including by electronic mail in accordance with applicable procedures of the Depositary.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. Except as otherwise provided in this Indenture, if a notice or communication is mailed in the manner provided in this Section 11.2, it is duly given, whether or not the addressee receives it.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case it shall be impracticable to give notice as herein contemplated, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

11.3 Certificate and Opinion as to Conditions Precedent

Upon any request or application by the Company or the Guarantor to the Trustee to take any action under this Indenture, the Company or the Guarantor, as the case may be, shall furnish to the Trustee:

- (a) an Officer's Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and
- (b) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

11.4 Statements Required in Certificate or Opinion

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

- (a) a statement that each person signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;
- (b) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion contained in such certificate or opinion is based;
- (c) a statement that, in the opinion of each such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (d) a statement as to whether or not, in the opinion of each such person, such condition or covenant has been complied with; provided, however, that, with respect to matters of fact, an Opinion of Counsel may rely on an Officer's Certificate or certificates of public officials.

11.5 Evidence of Ownership

The Company, the Guarantor, the Trustee and any agent of the Company, the Guarantor, or the Trustee may deem and treat the person in whose name any Security shall be registered upon the Security Register for such series as the absolute owner of such Security (whether or not such Security shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the Principal of and, subject to the provisions of this Indenture, interest on such Security and for all other purposes; and neither the Company, the Guarantor, the Trustee nor any agent of the Company, the Guarantor or the Trustee shall be affected by any notice to the contrary.

11.6 Rules by Trustee, Paying Agent or Registrar

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Paying Agent or Registrar may make reasonable rules for its functions.

11.7 Payment Date other than a Business Day

If any date for payment of Principal or interest on any Security shall not be a Business Day at any place of payment, then payment of Principal of or interest on such Security, as the case may be, need not be made on such date, but may be made on the next succeeding Business Day at any place of payment with the same force and effect as if made on such date and no interest shall accrue in respect of such payment for the period from and after such date.

11.8 Governing Law; Consent to Jurisdiction; WAIVER OF JURY TRIAL

The laws of the State of New York shall govern this Indenture, the Guarantee and the Securities.

Any legal suit, action or proceeding arising out of or based upon this Indenture (**Related Proceedings**) may be instituted in the federal courts of the United States of America or the courts of the State of New York, in each case located in the City and County of New York (collectively, the **Specified Courts**), and Company and Guarantor irrevocably submit to the exclusive jurisdiction (except for suits, actions, or proceedings instituted in regard to the enforcement of a judgment of any Specified Court in a Related Proceeding a **Related Judgment**, as to which such jurisdiction is non-exclusive) of the Specified Courts in any Related Proceeding. In respect to the Company, service of any process, summons, notice or document by mail to its address shall be effective service of process for any Related Proceeding brought in any Specified Court. The Company and Guarantor irrevocably and unconditionally waive any objection to the laying of venue of any Related Proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any Specified Court that any Related Proceeding brought in any Specified Court has been brought in an inconvenient forum. The Guarantor irrevocably appoints Corporation Service Company as its agent to receive service of process or other legal summons for purposes of any Related Proceeding that may be instituted in any Specified Court.

EACH OF THE COMPANY, THE GUARANTOR AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE SECURITIES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

11.9 No Adverse Interpretation of Other Agreements

This Indenture may not be used to interpret another indenture or loan or debt agreement of the Company, the Guarantor or any Subsidiary of the Company or the Guarantor. Any such indenture or agreement may not be used to interpret this Indenture.

11.10 Successors

All agreements of the Company and the Guarantor in this Indenture, the Guarantee and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

11.11 Duplicate Originals

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

11.12 Separability

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

11.13 Table of Contents, Headings, Etc.

The Table of Contents and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms and provisions hereof.

11.14 Incorporators, Stockholders, Officers and Directors of Company Exempt from Individual Liability

No recourse under or upon any obligation, covenant or agreement contained in this Indenture or any indenture supplemental hereto, or in any Security or any coupons appertaining thereto, or because of any indebtedness evidenced thereby, shall be had against any incorporator, as such, or against any past, present or future stockholder, officer, director or employee, as such, of the Company, of the Guarantor or of any successor, either directly or through the Company, the Guarantor or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Securities and the coupons appertaining thereto by the holders thereof and as part of the consideration for the issue of the Securities and the coupons appertaining thereto.

11.15 Judgment Currency

The Company and the Guarantor severally agree, to the fullest extent that they may effectively do so under applicable law, that if for the purpose of obtaining judgment in any court it is necessary to convert the sum due in respect of the Principal of or interest on the Securities of any series (the **Required Currency**) into a currency in which a judgment will be rendered (the **Judgment Currency**), the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in The City of New York the Required Currency with the Judgment Currency on the day on which final unappealable judgment is entered, unless such day is not a Business Day in The City of New York, then, to the extent permitted by applicable law, the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in The City of New York the Required Currency with the Judgment Currency on the Business Day in The City of New York preceding the day on which a final unappealable judgment is entered and (b) their obligations under this Indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment (whether or not entered in accordance with subsection (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable and (iii) shall not be affected by judgment being obtained for any other sum due under this Indenture.

IN WITNESS whereof, the parties hereto have caused this Indenture to be duly executed, all as of the date first written above.

[*Signature Pages Follow*]

SIGNATORIES

**Alcon Finance Corporation,
as Company**

By:

/s/ Sara Mastandrea
Name: Sara Mastandrea
Title: Assistant Treasurer

**Alcon Inc.,
as Guarantor**

By:

/s/ Tom Hudnall
Name: Tom Hudnall
Title: Authorized Signatory

By:

/s/ Jan Hjalber
Name: /s/ Jan Hjalber
Title: Authorized Signatory

**Citibank, N.A.,
as Trustee**

By:

/s/ Louis Piscitelli
Name: Louis Piscitelli
Title: Senior Trust Officer

AGREEMENT AND PLAN OF MERGER

among

AERIE PHARMACEUTICALS, INC.,

a Delaware corporation,

ALCON RESEARCH, LLC,

a Delaware limited liability company, and

LYON MERGER SUB, INC.,

a Delaware corporation,

Dated as of August 22, 2022

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this “Agreement”) is made and entered into as of August 22, 2022, among: Alcon Research, LLC, a Delaware limited liability company (“Parent”); Lyon Merger Sub, Inc., a Delaware corporation and a wholly owned direct subsidiary of Parent (“Merger Sub”); and Aerie Pharmaceuticals, Inc., a Delaware corporation (the “Company”). Certain capitalized terms used in this Agreement are defined in Exhibit A.

RECITALS

(A) The Board of Directors has (i) determined that this Agreement and the Transactions, including the merger of Merger Sub with and into the Company (the “Merger”), with the Company continuing as the surviving corporation in the Merger (the “Surviving Corporation”), on the terms and subject to the conditions set forth in this Agreement, are fair to, and in the best interest of, the Company and its stockholders, (ii) declared it advisable to enter into this Agreement, (iii) approved the execution, delivery and performance by the Company of this Agreement and the consummation of the Transactions, including the Merger and (iv) resolved to recommend that the stockholders of the Company approve the adoption of this Agreement.

(B) The boards of directors of Parent and Merger Sub have each approved this Agreement and declared it advisable for Parent and Merger Sub, respectively, to enter into this Agreement.

(C) Immediately following the execution of this Agreement, Parent, as the sole stockholder of Merger Sub, will adopt this Agreement and the Transactions, including the Merger (the “Merger Sub Sole Stockholder Approval”).

(D) Parent, Merger Sub and the Company desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger.

AGREEMENT

In consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, the parties to this Agreement (each a “Party” and collectively the “Parties”) agree as follows:

SECTION 1

THE MERGER

1.1 The Closing. Unless this Agreement shall have been terminated pursuant to Section 8, and unless otherwise mutually agreed in writing among the Company, Parent and Merger Sub, the consummation of the Merger (the “Closing”) shall take place remotely via the electronic exchange of signatures as soon as practicable (and, in any event, within five Business Days) after the satisfaction or, to the extent permitted hereunder, waiver of all conditions to the Merger set forth in Section 7 (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver (to the extent permitted hereunder) of such conditions). The date on which the Closing occurs is referred to in this Agreement as the “Closing Date.”

1.2 The Merger.

(a) Subject to the provisions of this Agreement, as soon as practicable on the Closing Date, the Company and Merger Sub shall file or cause to be filed a certificate of merger with the Secretary of State of the State of Delaware with respect to the Merger, in such form as required by, and executed and acknowledged in accordance with, the relevant provisions of the DGCL, and the Parties shall take all such further actions as may be required by applicable Legal Requirements to make the Merger effective.

(b) The Merger shall become effective upon the date and time of the filing of that certificate of merger with the Secretary of State of the State of Delaware or such later date and time as is agreed upon in writing by the Parties and specified in the certificate of merger (such date and time, the "Effective Time").

(c) The Merger shall have the effects set forth in this Agreement and in the applicable provisions of the DGCL. Without limiting the generality of the foregoing, at the Effective Time, all of the property, rights, privileges, immunities, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation, and all of the debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

1.3 Conversion of Shares.

(a) At the Effective Time, by virtue of the Merger and without any further action on the part of Parent, Merger Sub, the Company or any stockholder of the Company:

(i) any shares of Company Common Stock (the "Shares") held immediately prior to the Effective Time by the Company (or held in the Company's treasury) shall be cancelled and retired and shall cease to exist, and no consideration shall be delivered in exchange therefor;

(ii) any Shares held immediately prior to the Effective Time by Parent, Merger Sub or any other direct or indirect wholly owned Subsidiary of Parent or the Company shall be cancelled and retired and shall cease to exist, and no consideration shall be delivered in exchange therefor;

(iii) except as provided in clauses (i) and (ii) above and subject to Section 1.3(b), each Share outstanding immediately prior to the Effective Time (excluding any Dissenting Shares, which shall have only those rights set forth in Section 1.5) shall be converted into the right to receive \$15.25 per Share in cash (the "Merger Consideration"), without interest and subject to any withholding of Taxes in accordance with Section 1.4(e); and

(iv) each share of the common stock, \$0.01 par value per share, of Merger Sub then outstanding shall be converted into one share of common stock of the Surviving Corporation.

From and after the Effective Time, subject to this Section 1.3(a), all Shares shall no longer be outstanding and shall automatically be cancelled and shall cease to exist, and each applicable holder of such Shares shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration, without any interest thereon and subject to any withholding of Taxes therefor, upon the surrender of such shares of Company Common Stock in accordance with Section 1.4.

(b) If, between the date of this Agreement and the Effective Time, the outstanding Shares are changed into a different number or class of shares by reason of any stock split, division or subdivision of shares, stock dividend, reverse stock split, consolidation of shares, reclassification, recapitalization or other similar transaction, then the Merger Consideration shall be appropriately adjusted.

1.4 Surrender of Certificates; Stock Transfer Books.

(a) Prior to the Effective Time, Parent shall designate a bank or trust company reasonably acceptable to the Company to act as agent (the “Exchange Agent”) for the purposes of exchanging Shares represented by a certificate evidencing such Shares (the “Certificates”) and Book-Entry Shares for the Merger Consideration to which holders of such Shares shall become entitled pursuant to Section 1.3. On or prior to the Closing Date, Parent shall deposit, or shall cause to be deposited, with the Exchange Agent cash sufficient to pay the aggregate Merger Consideration payable pursuant to Section 1.3(a)(iii) (the “Payment Fund”). The Payment Fund shall not be used for any purpose other than to pay the aggregate Merger Consideration in the Merger. The Payment Fund shall be invested by the Exchange Agent as directed by the Surviving Corporation; *provided* that such investments shall be (w) in obligations of or guaranteed by the United States of America, (x) in commercial paper obligations rated A-1 or P-1 or better by Moody’s Investors Service, Inc. or Standard & Poor’s Corporation, respectively, (y) in certificates of deposit, bank repurchase agreements or banker’s acceptances of commercial banks with capital exceeding \$1 billion, or (z) in money market funds having a rating in the highest investment category granted by a recognized credit rating agency at the time of acquisition or a combination of the foregoing and, in any such case, no such instrument shall have a maturity exceeding three months. Notwithstanding anything to the contrary herein, the Equity Award Consideration will not be deposited with the Exchange Agent and will be paid in accordance with Section 1.6. In the event the Payment Fund shall be insufficient to pay the aggregate Merger Consideration in accordance with Section 1.3(a)(iii), Parent shall promptly deposit, or cause to be deposited, additional funds with the Exchange Agent in an amount that is equal to the shortfall that is required to make such payment.

(b) As soon as reasonably practicable after the Effective Time and in any event not later than the third Business Day following the Effective Time, the Surviving Corporation shall cause to be delivered to each Person who was, at the Effective Time, a holder of record of the Certificates or Book-Entry Shares, who, in each case was entitled to receive the Merger Consideration pursuant to Section 1.3, (A) a form of letter of transmittal, which shall be in reasonable and customary form and shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates (or affidavits of loss in lieu thereof in accordance with Section 1.4(f), if applicable) to the Exchange Agent, or a customary agent’s message with respect to Book-Entry Shares, and (B) instructions for use in effecting the surrender of the Certificates or Book-Entry Shares in exchange for the Merger Consideration issuable and payable in respect of such Shares pursuant to Section 1.3. Upon surrender to the Exchange Agent of Certificates (or affidavits of loss in lieu thereof in accordance with Section 1.4(f), if applicable) or Book-Entry Shares, together with such letter of transmittal in the case of Certificates, duly completed and validly executed in accordance with the instructions thereto, and such other documents as may be reasonably required pursuant to the instructions, the holder of such Certificates or Book-Entry Shares shall be entitled to receive in exchange therefor the Merger Consideration for each Share formerly evidenced by such Certificates or Book-Entry Shares, and such Certificates and Book-Entry Shares shall then be cancelled. No interest shall accrue or be paid on the Merger Consideration payable upon the surrender of any Certificates or Book-Entry Shares for the benefit of the holder thereof. If the payment of any Merger Consideration is to be made to a Person other than the Person in whose name the surrendered Certificates formerly evidencing the Shares is registered on the stock transfer books of the Company, it shall be a condition of payment that the Certificate so

surrendered shall be endorsed properly or otherwise be in proper form for transfer and that the Person requesting such payment shall have paid all transfer and other similar Taxes required by reason of the payment of the Merger Consideration to a Person other than the registered holder of the Certificate surrendered, or shall have established to the reasonable satisfaction of the Surviving Corporation that such Taxes either have been paid or are not applicable. None of Parent, Merger Sub or the Surviving Corporation shall have any liability for the transfer and other similar Taxes described in this Section 1.4(b) under any circumstance. Payment of the applicable Merger Consideration with respect to Book-Entry Shares shall only be made to the Person in whose name such Book-Entry Shares are registered. Until surrendered as contemplated by this Section 1.4, each Certificate and Book-Entry Share shall be deemed at any time after the Effective Time to represent only the right to receive the applicable Merger Consideration as contemplated by Section 1.3.

(c) At any time following the 12 month anniversary of the Effective Time, Parent shall be entitled to require the Exchange Agent to deliver to it any funds (with respect to the aggregate Merger Consideration to which holders of Shares shall become entitled pursuant to Section 1.3) which had been made available to the Exchange Agent and not disbursed to holders of Certificates or Book-Entry Shares (including all interest and other income received by the Exchange Agent in respect of all funds made available to it), and, thereafter, such holders shall be entitled to look to the Surviving Corporation (subject to abandoned property, escheat and other similar Legal Requirements) only as general creditors thereof with respect to the Merger Consideration that may be payable upon due surrender of the Certificates or Book-Entry Shares held by them, without any interest thereon. Notwithstanding the foregoing, neither the Surviving Corporation nor the Exchange Agent shall be liable to any holder of Certificates or Book-Entry Shares for the Merger Consideration delivered in respect of such share to a public official pursuant to any abandoned property, escheat or other similar Legal Requirements. Any amounts remaining unclaimed by such holders at such time at which such amounts would otherwise escheat to or become property of any Governmental Body shall become, to the extent permitted by applicable Legal Requirements, the property of the Surviving Corporation or its designee, free and clear of all claims or interest of any Person previously entitled thereto.

(d) At the close of business on the day of the Effective Time, the stock transfer books of the Company with respect to the Shares shall be closed and thereafter there shall be no further registration of transfers of Shares on the records of the Company. From and after the Effective Time, the holders of the Shares outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such Shares except as otherwise provided herein or by applicable Legal Requirements. If, after the Effective Time, Certificates or Book-Entry Shares are presented to the Surviving Corporation for any reason, they shall be cancelled and exchanged as provided in this Agreement.

(e) Each of the Company, the Surviving Corporation, Parent and Merger Sub, and their Affiliates, shall be entitled to deduct and withhold (or cause the Exchange Agent to deduct and withhold) from any amount payable to any Person pursuant to this Agreement such amounts as it is required by any Legal Requirement to deduct and withhold with respect to Taxes. Each such withholding agent shall use commercially reasonable efforts to reduce or eliminate any such withholding, including by requesting any necessary Tax forms, including IRS Form W-9 or the appropriate series of IRS Form W-8, as applicable, or any similar information. Each such withholding agent shall take all action that may be necessary to ensure that any such amounts so withheld are timely and properly remitted to the appropriate Governmental Body. To the extent that amounts are so deducted or withheld and timely and properly remitted to the appropriate Governmental Body, 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.

(f) If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder of the Shares formerly represented by that Certificate, or by a representative of that holder, claiming that Certificate to be lost, stolen or destroyed and, if required by the Surviving Corporation, the posting by that holder of a bond, in such reasonable amount as Parent may direct, as indemnity against any claim that may be made against it with respect to such Certificate (which shall not exceed the Merger Consideration payable with respect to such Certificate), the Exchange Agent will pay (less any amounts entitled to be deducted or withheld pursuant to Section 1.4(e)), in exchange for such lost, stolen or destroyed Certificate, the applicable Merger Consideration to be paid in respect of the Shares formerly represented by such Certificate, as contemplated by this Section 1.

1.5 Dissenters' Rights. Notwithstanding anything to the contrary contained in this Agreement, Shares outstanding immediately prior to the Effective Time, and held by holders who are entitled to appraisal rights under Section 262 of the DGCL and have properly exercised and perfected their respective demands for appraisal of such Shares in the time and manner provided in Section 262 of the DGCL and, as of the Effective Time, have neither effectively withdrawn nor lost their rights to such appraisal and payment under the DGCL (the "Dissenting Shares"), shall not be converted into the right to receive Merger Consideration, but shall, by virtue of the Merger, be automatically cancelled and no longer outstanding, shall cease to exist and shall be entitled to only such consideration as shall be determined pursuant to Section 262 of the DGCL; *provided* that if any such holder shall have failed to perfect or shall have effectively withdrawn or lost such holder's right to appraisal and payment under the DGCL, such holder's Shares shall be deemed to have been converted as of the Effective Time into the right to receive the Merger Consideration (less any amounts entitled to be deducted or withheld pursuant to Section 1.4(e)), and such Shares shall not be deemed to be Dissenting Shares. The Company shall give prompt notice to Parent and Merger Sub of any demands received by the Company for appraisal of any Dissenting Shares, withdrawals of such demands and any other instruments served pursuant to Section 262 of the DGCL, in each case prior to the Effective Time. Parent and Merger Sub shall have the right to direct and participate in all negotiations and proceedings with respect to such demands, and the Company shall not, without the prior written consent of Parent and Merger Sub, settle or offer to settle, or make any payment with respect to, any such demands, or agree or commit to do any of the foregoing.

1.6 Treatment of Company Equity Compensation.

(a) Prior to the Effective Time, the Company may, in its discretion, accelerate the exercisability of any Company Option or Company SAR (and shall permit the exercise of Company Options and Company SARs prior to the Effective Time to the extent and for the period necessary to effect the provisions of this Section 1.6).

(b) At the Effective Time, each Company Option that is then outstanding and unexercised that has a per Share exercise price that is less than the Merger Consideration (an "In the Money Option") shall be cancelled and the holder thereof shall be entitled to receive a cash payment equal to (i) the excess, if any, of (A) the Merger Consideration over (B) the exercise price payable per Share under such In the Money Option, multiplied by (ii) the total number of Shares subject to such In the Money Option immediately prior to the Effective Time (without regard to vesting).

(c) At the Effective Time, each Company Option that is not an In the Money Option shall be cancelled as of the Effective Time without any consideration payable therefore.

(d) At the Effective Time, each Company SAR that is then outstanding and unexercised that has a strike price per Share that is less than the Merger Consideration (an "In the Money SAR") shall be cancelled and the holder thereof shall be entitled to receive a cash

payment equal to (i) the excess, if any, of (A) the Merger Consideration over (B) the exercise price payable per Share under such In the Money SAR, multiplied by (ii) the total number of In the Money SAR immediately prior to the Effective Time (without regard to vesting).

(e) At the Effective Time, each Company SAR that is not an In the Money SAR shall be cancelled as of the Effective Time without any consideration payable therefore.

(f) At the Effective Time, each then outstanding share of Company Restricted Stock (other than Company Performance-Vested Restricted Stock), whether or not vested, shall be cancelled and the holder thereof shall be entitled to receive a cash payment equal to the Merger Consideration with respect to each share of Company Restricted Stock (other than Company Performance-Vested Restricted Stock), whether or not vested, held by such holder (without regard to vesting).

(g) At the Effective Time, each then outstanding Share of Company Performance-Vested Restricted Stock that vests based on achievement of strategic metrics (the “Strategic PSAs”), whether or not vested, shall be cancelled and the holder thereof shall be entitled to receive a cash payment equal to (i) the product of (A) the target number of Shares of Strategic PSAs granted to the holder, multiplied by (B) 100% (such product, the “Earned Strategic PSAs”), multiplied by (ii) the Merger Consideration (without regard to vesting). Promptly following the Effective Time, Parent shall calculate the cumulative total shareholder return through the Closing Date (the “Relative TSR Performance”) for each of the Company and the applicable members of the “Comparitor Group” set forth in the award agreement for each then outstanding Share of Company Performance-Vested Restricted Stock that vests based on achievement of a relative total shareholder return metric (the “rTSR PSAs”) and will pay the holders of such rTSR PSAs in accordance with the Relative TSR Performance and the terms of each rTSR PSA.

(h) At the Effective Time, each then outstanding Company RSU, whether or not vested, shall be cancelled and the holder thereof shall be entitled to receive a cash payment equal to the product of (i) the Merger Consideration and (ii) the total number of Shares subject to such Company RSU (without regard to vesting).

(i) Prior to the Effective Time, the Board of Directors or the appropriate committee of the Board of Directors, as applicable, shall adopt all resolutions and shall take all actions that it determines to be appropriate or necessary (under any Company Equity Plans and award agreements pursuant to which Company Options, Company SARs, Company Restricted Stock or Company RSUs are outstanding) to effect the transactions described in this Section 1.6.

(j) In respect of payments due under this Section 1.6, Parent shall cause to be paid to the Surviving Corporation or its Affiliate, the aggregate amount necessary to pay the Equity Award Consideration to the applicable holders of the In the Money Options, In the Money SARs, Company Restricted Stock (other than Company Performance-Vested Restricted Stock), Earned Strategic PSAs, rTSR PSAs, and Company RSUs through the Company’s or the Surviving Corporation’s or its Affiliate’s payroll system. The payments described in the preceding sentence shall be paid as soon as practicable following the Effective Time (subject to withholding as described in Section 1.4(e) of this Agreement), and in no event later than the second payroll date following the Effective Time. Notwithstanding the foregoing, (i) to the extent a payment pursuant to this Section 1.6 would trigger a Tax or penalty under Section 409A of the Code, such payment shall be made on the earliest date that payment would not trigger such Tax or penalty; and (ii) payment shall not be delayed in a manner which results in a tax or penalty to the holder of an In the Money Option, In the Money SAR, Company Restricted Stock (other than Company Performance-Vested Restricted Stock), Earned Strategic PSAs, rTSR PSAs, or Company RSU under Section 409A of the Code.

1.7 Further Action. If, at any time after the Effective Time, any further action is reasonably determined by the Surviving Corporation to be necessary or desirable to carry out the purposes of this Agreement or to vest the Surviving Corporation with full right, title and possession of and to all rights and property of Merger Sub and the Company, the officers and directors of the Surviving Corporation and Parent shall be fully authorized (in the name of Merger Sub, in the name of the Company and otherwise) to take such action.

SECTION 2

THE SURVIVING CORPORATION

2.1 Certificate of Incorporation and Bylaws; Directors and Officers.

(k) As of the Effective Time, the certificate of incorporation of the Company shall by virtue of the Merger and without any further action, be amended and restated to read in its entirety as set forth on Annex I and, as so amended and restated, shall be the certificate of incorporation of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable Legal Requirements.

(a) As of the Effective Time, the bylaws of the Surviving Corporation shall be amended and restated to conform to the bylaws of Merger Sub as in effect immediately prior to the Effective Time, until thereafter changed or amended as provided therein or by applicable Legal Requirements, except that references to the name of Merger Sub shall be replaced by references to the name of the Surviving Corporation.

(b) As of the Effective Time, the directors and officers of the Surviving Corporation shall be the respective individuals who served as the directors and officers of Merger Sub as of immediately prior to the Effective Time, until their respective successors are duly elected and qualified, or their earlier death, resignation or removal.

SECTION 3

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to Parent and Merger Sub as follows (it being understood that each representation and warranty contained in this Section 3 is subject to (a) exceptions and disclosures set forth in the section or subsection of the Company Disclosure Schedule corresponding to the particular section or subsection in this Section 3, (b) any exception or disclosure set forth in any other section or subsection of the Company Disclosure Schedule to the extent it is reasonably apparent that such exception or disclosure is applicable to qualify such representation and warranty, and (c) disclosures in the Annual Report on Form 10-K filed on February 25, 2022 by the Company with the SEC and the Company SEC Documents filed thereafter but at least one day prior to the date of this Agreement (other than any generally cautionary or forward-looking statements contained in the “Risk Factors” or “Forward-Looking Statements” sections of such Company SEC Documents and any other disclosures contained or referenced therein of information, factors or risks to the extent that they are predictive, cautionary or forward-looking in nature but including any historical factual information contained within such statements) to the extent it is reasonably apparent that such disclosure is applicable to qualify such representation and warranty):

3.1 Due Organization; Subsidiaries, Etc.

(c) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and each of the Company’s Subsidiaries

are set forth on Section 3.1 of the Company Disclosure Schedule (the Company and each such Subsidiary, an “Acquired Corporation” and collectively, the “Acquired Corporations”). The Company has all necessary power and authority (i) to conduct its business in the manner in which its business is currently being conducted and (ii) to own and use its assets in the manner in which its assets are currently owned and used. Each of the Company’s Subsidiaries is validly incorporated in its jurisdiction of incorporation and has all necessary power and authority (i) to conduct its business in the manner in which its business is currently being conducted and (ii) to own and use its assets in the manner in which its assets are currently owned and used, except where the failure to have such power and authority does not have, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Each Acquired Corporation is qualified or licensed to do business as a foreign corporation, and, where applicable, is in good standing, in each jurisdiction where the nature of its business requires such qualification or licensing, except where the failure does not have, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(d) The Company owns beneficially and of record all of the outstanding shares of capital stock or ordinary shares of the other Acquired Corporations, all of which are fully paid or credited as fully paid, free and clear of all Encumbrances and transfer restrictions, except for Encumbrances or transfer restrictions of general applicability as may be provided under the Securities Act or applicable securities laws. Except for the shares of capital stock or ordinary shares of the other Acquired Corporations held by the Company, no Acquired Corporation owns, directly or indirectly, any capital stock or equity interests in, or subscriptions, options, calls, warrants or rights (whether or not currently exercisable) to acquire, or other securities convertible into or exchangeable or exercisable for, any capital stock or equity interests of any Entity.

3.2 Certificate of Incorporation and Bylaws. The Company has delivered or made available to Parent copies of the certificate of incorporation, bylaws or other equivalent constitutional documents of each Acquired Corporation, including all amendments thereto, as in effect on the date of this Agreement.

3.3 Capitalization, Etc.

(a) The authorized capital stock of the Company consists of 150,000,000 shares of Company Common Stock and 15,000,000 shares of preferred stock, par value \$0.001 per share. As of the close of business on August 22, 2022 (the “Capitalization Date”), there were (i) 49,412,659 shares of Company Common Stock issued and outstanding, of which (A) 2,817,902 shares were Company Restricted Stock, (B) 81,900 were vested and settled restricted share units and (C) 218,418 were outstanding Performance-Vested Restricted Stock, and (ii) no shares of preferred stock outstanding.

(b) Except as set forth on Section 3.3(b) of the Company Disclosure Schedule, (i) none of the outstanding shares of capital stock of the Acquired Corporations are entitled or subject to any preemptive right, right of repurchase or forfeiture, right of participation, right of maintenance or any similar right; (ii) none of the outstanding shares of capital stock of the Acquired Corporations are subject to any right of first refusal in favor of any Acquired Corporation; (iii) other than the Convertible Notes, there are no outstanding bonds, debentures, notes or other indebtedness of any Acquired Corporation having a right to vote (or that are convertible into or exercisable for securities having the right to vote) on any matters on which the stockholders of the Acquired Corporations have a right to vote; and (iv) there is no Contract relating to the voting or registration of, or restricting any Person from purchasing, selling, pledging or otherwise disposing of (or from granting any option or similar right with respect to), any shares of capital stock of the Acquired Corporations. No Acquired Corporation is under any obligation, or bound by any Contract pursuant to which it may become obligated, to repurchase,

redeem or otherwise acquire any outstanding shares of capital stock of the Acquired Corporations, except in connection with or under the Capped Call Transactions and Convertible Notes Indenture. The Shares constitute the only outstanding class of securities of the Company registered under the Securities Act.

(c) Except as set forth on Section 3.3(c) of the Company Disclosure Schedule, as of the close of business on the Capitalization Date, (i) 6,219,563 Shares were subject to issuance pursuant to Company Options granted and outstanding under the Company Equity Plans, (ii) 314,889 Shares were subject to issuance pursuant to Company SARs granted and outstanding under the Company Equity Plans, (iii) 28,298 Shares were subject to issuance pursuant to Company Restricted Stock awards granted and outstanding under the Company Equity Plans if the target 100% level of performance is achieved pursuant to performance vesting Company Restricted Stock awards granted and outstanding under the Company Equity Plans (“Company Performance-Vested Restricted Stock”), (iv) 190,120 Shares of Company Restricted Stock (other than Company Performance-Vested Restricted Stock) were granted and outstanding under the Company Equity Plans if the target 100% level of performance is achieved pursuant to performance vesting, (v) 230,872 Shares were subject to issuance pursuant to unvested Company RSUs granted under the Company Equity Plans, (vi) 4,867,678 Shares were reserved for future issuance under the Company Equity Plans, (vii) 239,568 Shares were reserved for future issuance under the Company ESPP and (viii) 12,662,650 Shares were reserved for future issuance in connection with any conversions of the Convertible Notes. Other than as set forth in this Section 3.3(c), there is no issued, reserved for issuance, outstanding or authorized restricted stock, restricted stock unit, stock option, stock appreciation, phantom stock, profit participation or similar rights or equity-based awards with respect to the Company.

(d) Except as set forth in this Section 3.3 and except for Company Options, Company SARs, Company Restricted Stock (including Company Performance-Vested Restricted Stock), Company RSUs and the Convertible Notes (and Shares issuable on the exercise, vesting or conversion thereof, as applicable) as of the close of business on the Capitalization Date, there are no: (i) outstanding shares of capital stock of or other securities of any Acquired Corporation; (ii) outstanding subscriptions, options, calls, warrants or rights (whether or not currently exercisable) to acquire any shares of the capital stock, restricted stock unit, stock-based performance unit or any other right that is linked to, or the value of which is in any way based on or derived from the value of any shares of capital stock or other securities of any Acquired Corporation, in each case other than derivative securities not issued by any Acquired Corporation; (iii) outstanding securities, instruments, bonds, debentures, notes or obligations that are or may become convertible into or exchangeable for any shares of the capital stock or other securities of any Acquired Corporation; or (iv) stockholder rights plans (or similar plans commonly referred to as a “poison pill”) or Contracts under which any Acquired Corporation is or may become obligated to sell or otherwise issue any shares of its capital stock or any other securities.

(e) The Company has delivered or made available to Parent a listing of all Persons who hold outstanding Company Options, Company SARs, Company Restricted Stock (including Company Performance-Vested Restricted Stock) or Company RSUs as of the close of business on the Capitalization Date, indicating, with respect to each award, the number of Shares subject or underlying thereto (determined at the maximum level of performance in the case of Company Performance-Vested Restricted Stock), date of grant, vesting schedule or criteria and the exercise price and expiration date, if applicable.

(f) Each award of a Company Option, Company SAR, Company RSU and Company Restricted Stock (including Company Performance-Vested Restricted Stock) (i) was granted in material compliance with all applicable Legal Requirements of each jurisdiction where the recipient of such award was a resident and all applicable securities laws or exemptions

therefrom and (ii) was granted under a Company Equity Plan and is in material compliance with all requirements set forth in such Company Equity Plan. Each Company Option and Company SAR (A) has an exercise or strike price that is no less than the fair market value of the Shares underlying such Company Option or Company SAR on the grant date and (B) does not constitute “nonqualified deferred compensation” for purposes of Section 409A of the Code.

(g) All Convertible Notes were issued pursuant to, and all the terms and conditions of the Convertible Notes are evidenced by, the Convertible Notes Indenture. All Capped Call Transactions were entered into pursuant to, and all Capped Call Transactions are evidenced by, the Capped Call Documentation. There are no other agreements or side letters with respect to the Convertible Notes or Capped Call Transactions. The Conversion Rate (as defined in the Convertible Notes Indenture) is 40.0400 shares of Company Common Stock per \$1,000 principal amount of the Convertible Notes as of the date of this Agreement and there have been no adjustments to any of the terms of the Capped Call Transactions prior to the date of this Agreement.

3.4 SEC Filings; Financial Statements.

(a) Since January 1, 2019, the Company has filed or furnished on a timely basis all reports, schedules, forms, statements and other documents (including exhibits and all other information incorporated therein) required to be filed or furnished by the Company with the SEC (as supplemented, modified or amended since the time of filing, the “Company SEC Documents”). As of their respective dates, the Company SEC Documents complied as to form in all material respects with the applicable requirements of the Securities Act, the Exchange Act or the Sarbanes-Oxley Act of 2002, as amended (the “Sarbanes-Oxley Act”), as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to those Company SEC Documents, and, except to the extent that information contained in such Company SEC Document has been revised, amended, modified or superseded (prior to the date of this Agreement) by a later filed Company SEC Document, none of the Company SEC Documents when filed or furnished contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The financial statements (including any related notes and schedules) contained or incorporated by reference in the Company SEC Documents: (i) complied as to form in all material respects with the published rules and regulations of the SEC applicable thereto; (ii) were prepared in accordance with United States generally accepted accounting principles (“GAAP”) applied on a consistent basis throughout the periods covered (except as may be indicated in the notes to such financial statements or, in the case of unaudited interim financial statements, as may be permitted by the SEC on Form 10-Q, 8-K or any successor form under the Exchange Act); and (iii) fairly presented, in all material respects, the financial position of the Company as of the respective dates thereof and the results of operations and cash flows of the Company for the periods covered thereby (subject, in the case of the unaudited financial statements, to the absence of notes, which if presented would not materially differ from those presented in the audited financial statements, and to normal and recurring year-end adjustments, which are not material individually or in the aggregate).

(c) The Company maintains a system of internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) which is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company maintains a system of disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) sufficient to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is

recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. The Company's management has completed an assessment of the effectiveness of the Company's system of internal control over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act for the fiscal year ended December 31, 2021, and, except as set forth in the Company SEC Documents filed prior to the date of this Agreement, that assessment concluded that those controls were effective. Since December 31, 2021, neither the Company nor the Company's independent registered accountant has identified or been made aware of: (A) any significant deficiency or material weakness in the design or operation of the internal control over financial reporting utilized by the Company, which is reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; or (B) any fraud, whether or not material, that involves the management or other employees of the Company who have a significant role in the Company's internal control over financial reporting.

(d) The Company is in compliance in all material respects with all current listing and corporate governance requirements of Nasdaq.

(e) The Company is not a party to, nor does the Company have any obligation or other commitment to become a party to, "off-balance sheet arrangements" (as defined in Item 303(a) of Regulation S-K under the Exchange Act) where the result, purpose or intended effect of such Contract is to avoid disclosure of any material transaction involving, or material liabilities of, the Company in the Company SEC Documents.

(f) As of the date of this Agreement, there are no outstanding or unresolved comments in comment letters received from the SEC with respect to the Company SEC Documents. To the knowledge of the Company, (i) none of the Company SEC Documents is the subject of ongoing SEC review and (ii) there are no inquiries or investigations by the SEC or any internal investigations pending or threatened, in each case regarding any accounting practices of the Company.

(g) The proxy statement of the Company to be filed with the SEC in connection with the Merger and any amendments or supplements thereto (the "Proxy Statement"), when filed, distributed or otherwise disseminated to the Company's stockholders, as applicable, will comply as to form in all material respects with the applicable requirements of the Exchange Act. The Proxy Statement, at the time of the filing of such Proxy Statement with the SEC and at the time such Proxy Statement is first distributed or otherwise disseminated to the Company's stockholders, 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 made therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, the Company makes no representation with respect to statements made or incorporated by reference therein based on written information supplied by or on behalf of Parent or Merger Sub for inclusion or incorporation by reference in the Proxy Statement.

3.5 Absence of Changes; No Material Adverse Effect.

(a) Since December 31, 2021, except for discussions, negotiations and activities related to this Agreement and the Transactions or any similar alternative transactions, the Acquired Corporations have operated in all material respects in the ordinary course of business.

(b) Since December 31, 2021, there has not occurred any event, occurrence, circumstance, change or effect that, individually or in the aggregate, has had or would reasonably be expected to have, a Material Adverse Effect.

3.6 Title to Assets. Each Acquired Corporation has good and valid title to all material assets (excluding Intellectual Property Rights) owned by it, and such assets are owned by the Acquired Corporations free and clear of any material Encumbrances (other than Permitted Encumbrances).

3.7 Real Property.

(a) The Acquired Corporations do not own any real property. None of the Acquired Corporations is a party to any agreement or option to purchase any real property or interest therein.

(b) The Acquired Corporations hold valid and existing leasehold interests in the real property that is leased or subleased by the Acquired Corporations from another Person (the “Leased Real Property”), free and clear of material Encumbrances other than Permitted Encumbrances. Section 3.7(b) of the Company Disclosure Schedule sets forth an accurate and complete list of all Leased Real Property. True, correct and complete copies of the Leases as of the date of this Agreement have been delivered to Parent. Each Lease is in full force and effect, and is the valid and binding obligation of the applicable Acquired Corporation party thereto, enforceable against the Acquired Corporation in accordance with its terms. No part of the Leased Real Properties has been let, sub-let or is subject to any license or other usage agreements. None of the Acquired Corporations nor, to the Company’s knowledge, any other party to any Lease is in material default under such Lease as of the date of this Agreement, and no event has occurred or exists which with the passage of time or notice, or both, would constitute a material default. No Acquired Corporation has received any written notice, claim, complaint or objection regarding any material violation or breach or default under any lease related to the Leased Real Property that has not since been cured or waived in writing.

(c) The present use of the Improvements on the Leased Real Property are in conformity in all material respects with all applicable laws, rules, regulations and ordinances, including, without limitation, all applicable zoning laws, ordinances and regulations and with all registered deeds, leases, restrictions of record or other agreements affecting such Leased Real Property, and the Company has no knowledge of any proposed change therein that would so affect any of the Leased Real Property or its use.

(d) The present use of the Improvements on the Leased Real Property are in conformity in all material respects with all registered deeds, leases, or other restrictions or agreements, in each case, of record affecting the current use of the Leased Real Property, and the Company has no knowledge of any proposed change to any such agreements or to any building laws, rules, regulations, or ordinances that would prohibit or materially restrict the current use of any of the Leased Real Property.

(e) The continued maintenance and operation of the manufacturing plant of the Company located in Athlone, Ireland (the “Plant”) is not dependent on facilities located at other premises and the continued maintenance and operation of any other premises is not dependent on facilities located at the Plant. No building or other improvement not part of the Leased Real Property relies on the Leased Real Property or any part thereof or any interest therein to fulfill any Legal Requirement and the Plant does not rely on any premises not included within the Leased Real Property to fulfill any Legal Requirement.

3.8 Intellectual Property.

(a) Section 3.8(a) of the Company Disclosure Schedule sets forth an accurate and complete list (in all material respects) of all Registered IP included in the Company Owned IP. One or more Acquired Corporations are the sole and exclusive owners of all such Registered

IP and, except as would not reasonably be expected to be material, individually or in the aggregate, to the Acquired Corporations, all other Company Owned IP. All Registered IP included in the Company Owned IP, and material Company Licensed IP, (other than pending applications included therein) is subsisting and, to the knowledge of the Company, valid and enforceable. Except as had not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, the Acquired Corporations own or have a valid and enforceable license or other right to use all material Intellectual Property Rights necessary to, or used or held for use in, the conduct of the business of the Acquired Corporations as presently conducted and contemplated to be conducted, free and clear of all Encumbrances, other than Permitted Encumbrances; *provided* that this sentence is not a representation or warranty with respect to infringement, misappropriation or other violation of Intellectual Property Rights.

(b) No interference, opposition, reissue, reexamination proceeding, cancellation proceeding, or other Legal Proceeding (other than routine office examination proceedings with respect to pending applications) is pending or threatened in writing (i) in which the scope, validity, enforceability or ownership of any material Company Owned IP or, to the knowledge of the Company, material Company Licensed IP exclusively licensed to any Acquired Corporation, is being contested or challenged, or (ii) that is otherwise challenging or seeking to deny or restrict any rights of any Acquired Corporation in any material Company IP.

(c) The Company takes reasonable measures to protect the confidentiality of all trade secrets and other confidential information included in the Company Owned IP or otherwise disclosed in confidence to any Acquired Corporation and, to the knowledge of the Company, there has not been any disclosure of or unauthorized access to any such trade secret or confidential information to any Person except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(d) The consummation of the Transactions will not result in the loss or impairment of or payment of any additional amounts with respect to, nor require the consent of any other Person in respect of, any Acquired Corporation's right to own, use, or hold for use any material Intellectual Property Rights as owned, used, or held for use (including for defensive purposes) in the conduct of the business as currently conducted and as contemplated to be conducted, except as would not be, and would not reasonably be expected to be, material, individually or in the aggregate, to the Acquired Corporations.

(e) The conduct of each Acquired Corporation's business as currently conducted and as contemplated to be conducted does not infringe, misappropriate or otherwise violate, and since January 1, 2019, has not infringed, misappropriated or otherwise violated, and will not infringe, misappropriate or otherwise violate, any Intellectual Property Rights owned by any other Person in any material respect. No Legal Proceeding has been asserted since January 1, 2019 (or longer time period to the extent there is any current liability therefore or obligations with respect thereto) or to the knowledge of the Company, has been threatened in writing against any Acquired Corporation alleging that the conduct of any Acquired Corporation's business infringes, misappropriates or otherwise violates, or will infringe, misappropriate or otherwise violate, any Intellectual Property Rights of another Person, except as would not be, and would not reasonably be expected to be, material, individually or in the aggregate, to the Acquired Corporations.

(f) To the knowledge of the Company, since January 1, 2019, no Person has infringed, misappropriated or otherwise violated, or is infringing, misappropriating or otherwise violating, any Company Owned IP or any material Company Licensed IP, except as would not be, and would not reasonably be expected to be, material, individually or in the aggregate, to the Acquired Corporations. No Legal Proceeding is pending or, to the knowledge of the Company, has been threatened in writing since January 1, 2019, by any Acquired Corporation against any

other Person alleging any such infringement, misappropriation or other violation of any such Company Owned IP or Company Licensed IP.

(g) Section 3.8(g) of the Company Disclosure Schedule contains a true and complete list of any and all material Company Owned IP and Company Licensed IP exclusively licensed to any Acquired Corporation that was created, developed, invented or reduced to practice (in part or in whole), (i) pursuant to, or in connection with, any Contract between any Acquired Corporation or any of its licensors in respect of the Company Licensed IP, on the one hand, and any Governmental Body or Governmental Body-affiliated entity, or university, college or other educational institution, on the other hand, or (ii) using any funding or facilities of any Governmental Body or Governmental Body-affiliated entity, or university, college or other educational institution (collectively, “Government Funded IP”). Except as is not, and would not reasonably be expected to be, material, individually or in the aggregate, to the Acquired Corporations, each Acquired Corporation has taken all actions reasonably necessary to obtain, secure, maintain, enforce and protect such Acquired Corporation’s right, title and interest in, to and under all material Government Funded IP, and each Acquired Corporation has complied in all material respects with any and all any Intellectual Property Right disclosure or licensing obligations under any applicable Contract referenced in clause (i) above.

(h) Except as has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (i) the Company IT Systems operate in accordance with their specifications and related documentation and perform in a manner that permits the Acquired Corporations to conduct their respective businesses as currently conducted, (ii) the Acquired Corporations take commercially reasonable actions to protect the confidentiality, integrity and security of the Company IT Systems (and all data and other information and transactions stored or contained therein or processed or transmitted thereby) against any unauthorized use, access, interruption, modification or corruption, including the implementation of commercially reasonable data backup, disaster avoidance and recovery procedures and business continuity procedures and (iii) since January 1, 2019, to the knowledge of the Company, there has been no unauthorized use or access or security breaches, or interruption, modification, loss or corruption of any of the Company IT Systems (or any data or other information or transactions stored or contained therein or processed or transmitted thereby).

(i) Each Acquired Corporation (and to the knowledge of the Company any third party Processing personal data for or on behalf of an Acquired Corporation), and, to the knowledge of the Company, each third party that Processes Personal Information on behalf of any Acquired Corporation, has complied and currently complies, in all material respects, with all applicable Privacy Requirements. Since January 1, 2019 (or any longer time period to the extent there is any current liability therefore or obligations with respect thereto), no investigation by any Governmental Body has been initiated or any Legal Proceeding asserted or threatened in writing (including through receipt of any notice from any data subject) against any Acquired Corporation by any Person regarding any collection, use, storage, transfer, dissemination or other Processing of Personal Information in connection with any Acquired Corporation’s business. Neither the execution, delivery or performance of this Agreement, nor the consummation of any of the Transactions, will violate in any material respect any Privacy Requirements in respect of which any Acquired Corporation is obligated to comply.

3.9 Contracts.

(a) Section 3.9(a) of the Company Disclosure Schedule identifies each Contract (other than an Employee Plan and except as provided under Section 3.9(a)(xiii) or (xiv)) to which any Acquired Corporation is a party, or by which it is bound, that constitutes a Material Contract as of the date of this Agreement. For purposes of this Agreement, each of the following

Contracts to which any Acquired Corporation is a party or by which it is bound constitutes a “Material Contract”:

(i) any Contract that is a settlement, conciliation or similar Contract with or approved by any Governmental Body (A) pursuant to which an Acquired Corporation will be required after the date of this Agreement to pay monetary obligations in excess of \$250,000 (individually) or \$1,000,000 (in the aggregate) (excluding workers compensation claims from employees or former employees of any Acquired Corporation that will be covered by insurance), in each case, net of any insurance coverage or (B) that contains material obligations or limitations on such Acquired Corporation’s conduct after the date of this Agreement (excluding customary confidentiality requirements and other similar administrative requirements);

(ii) any Contract (A) materially limiting the freedom or right of any Acquired Corporation to engage in any line of business or to compete with any other Person in any location or line of business, (B) containing any “most favored nations” terms and conditions (including with respect to pricing) granted by any Acquired Corporation or (C) containing material exclusivity obligations or otherwise materially limiting the freedom or right of any Acquired Corporation to sell, distribute or manufacture any products or services for any other Person;

(iii) any Contract that requires, or is reasonably expected to require, by its terms, the payment or delivery of cash or other consideration to or by any Acquired Corporation in an amount in excess of \$250,000 in any fiscal year commencing with fiscal year 2022, and in each case (A) that cannot be cancelled by any Acquired Corporation without penalty or further payment at no more than ninety (90) days’ notice and (B) excluding commercially available off-the-shelf software licenses and Software-as-a-Service offerings, generally available patent license agreements, material transfer agreements, clinical trial agreements and non-exclusive outbound license agreements (in each case, entered into in the ordinary course of business);

(iv) any Contract relating to Indebtedness in excess of \$1,000,000 (whether incurred, assumed, guaranteed or secured by any asset) of any Acquired Corporation;

(v) any Contract related to the Convertible Notes or any Capped Call Documentation;

(vi) each Lease under which the Acquired Corporations lease, sublease or licenses any real property (whether as lessor or lessee);

(vii) each Contract with any Governmental Body;

(viii) any Contract with any Person constituting a material joint venture, collaboration, partnership or similar profit sharing arrangement;

(ix) any Contract that prohibits the declaration or payment of dividends or distributions in respect of the capital stock of an Acquired Corporation, the pledging of the capital stock or other equity interests of an Acquired Corporation or the issuance of any guaranty by an Acquired Corporation;

(x) any Contract pursuant to which any Acquired Corporation (A) is granted any material license or other material right or immunity (whether present or contingent, including any sublicense, option, co-existence right, right of first refusal or other preferential right, non-assert or covenant not to be sued) under any material Intellectual Property Right, other

than to generally commercially available software or technology available on nondiscriminatory pricing terms or (B) grants any material license or other material right or immunity (whether present or contingent, including any sublicense, option, co-existence right, right of first refusal or other preferential right, non-assert or covenant not to sue) under any material Intellectual Property Right, other than nonexclusive licenses (1) pursuant to clinical trial agreements or supply agreements in which clinical trials or supply services are being performed for an Acquired Corporation (where such license is granted to enable the performance of such services), and other similar agreements, in each case, that are entered into by an Acquired Corporation in the ordinary course of business and (2) where the grant of rights to use any Intellectual Property Rights are incidental, and not material to, any performance under each such agreement;

(xi) any Contract that is a distribution, supply, or manufacturing Contract that by its terms requires payments by or to the Company in any fiscal year in excess of \$500,000;

(xii) any Collective Bargaining Agreement;

(xiii) any Contract with any Affiliate, director or executive officer of the Company (as such term is defined in the Exchange Act), Person holding 5% or more of the Shares, or, to the knowledge of the Company, any Affiliate (other than the Company) or immediate family member of any of the foregoing; and

(xiv) any other Contract that is currently in effect and has been filed (or is required to be filed) by the Company as an exhibit pursuant to Item 601(b)(10) of Regulation S-K under the Securities Act or that would be required to be disclosed under Item 404 of Regulation S-K under the Securities Act.

(b) As of the date of this Agreement, the Company has either delivered or made available to Parent a copy of each Material Contract. No Acquired Corporation nor, to the knowledge of the Company, the other party is in material breach of, or material default under, any Material Contract and no Acquired Corporation nor, to the knowledge of the Company, the other party to a Material Contract has taken or failed to take any action that with or without notice, lapse of time or both would constitute a material breach of or material default under any Material Contract. Each Material Contract is, with respect to the Acquired Corporations and, to the knowledge of the Company, the other party, a valid and binding agreement in full force and effect, enforceable in accordance with its terms, except as such enforcement may be subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights, and by general equitable principles. Since December 31, 2020, to the knowledge of the Company, the Acquired Corporations have not received any notice regarding any material violation or breach or default under any Material Contract that has not since been cured.

3.10 Liabilities. The Acquired Corporations do not have any liabilities (whether accrued, absolute, contingent or otherwise) of the type which would be required to be reflected or reserved against on a consolidated balance sheet of the Company prepared in accordance with GAAP or the notes thereto, except for: (a) liabilities specifically reflected and adequately reserved against in the most recent financial statements or notes thereto included in the Company SEC Documents filed prior to the date of this Agreement; (b) liabilities or obligations incurred pursuant to the terms of this Agreement; (c) liabilities for performance of obligations under Contracts binding upon the Acquired Corporations (other than resulting from any breach or acceleration thereof); (d) liabilities incurred in the ordinary course of business since December 31, 2021 (none of which is a liability for breach of contract, breach of warranty, tort, infringement, violation of Legal Requirements, or that relates to any cause of action, claim or lawsuit that individually, or in the aggregate, would be material to the Company); and

(e) liabilities that have not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

3.11 Compliance with Legal Requirements. Since January 1, 2020, the Acquired Corporations have been in compliance in all material respects with all applicable Legal Requirements and no Governmental Body has given any Acquired Corporation written notice of, or charged any Acquired Corporation with, any material violation of any applicable Legal Requirement.

3.12 Regulatory Matters.

(a) The Acquired Corporations have filed with the applicable regulatory authorities (including the FDA or any other Governmental Body performing functions similar to those performed by the FDA in other applicable jurisdictions) all required material filings, declarations, listings, registrations, reports or submissions. To the knowledge of the Company, all such filings, declarations, listings, registrations, reports or submissions were in material compliance with applicable Legal Requirements when filed, and no material deficiencies have been asserted in writing to any of the Acquired Corporations by any applicable Governmental Body with respect to any such filings, declarations, listings, registrations, reports or submissions, except for those deficiencies that have been addressed in full by the Company.

(b) The Acquired Corporations hold all material Regulatory Permits required under applicable Legal Requirements for their business as currently conducted, and, to the knowledge of the Acquired Corporations, each such Regulatory Permit is valid and in full force and effect. The Acquired Corporations are in compliance in all material respects with the terms and requirements of such Regulatory Permits. No material deficiencies have been asserted in writing to any of the Acquired Corporations by any applicable Governmental Body with respect to any material Regulatory Permits of the Acquired Corporations.

(c) All preclinical and clinical investigations sponsored by the Acquired Corporations since January 1, 2019 have been and are being conducted in material compliance with all applicable Legal Requirements, including Good Clinical Practices requirements, requirements relating to clinicaltrials.gov, and federal and state laws, rules and regulations restricting the use and disclosure of individually identifiable health information, including those similar requirements as applicable in jurisdictions outside the United States. No Acquired Corporation has received any written notice from the FDA or any other Governmental Body in the United States or elsewhere performing functions similar to those performed by the FDA with respect to any ongoing clinical or preclinical investigations requiring the termination, suspension or material modification of such studies or tests.

(d) No Acquired Corporation has (i) made an untrue statement of a material fact or fraudulent statement to the FDA or any Governmental Body, (ii) failed to disclose a material fact required to be disclosed to the FDA or any Governmental Body, or (iii) to the knowledge of the Company, committed any other act, made any statement or failed to make any statement, that (in any such case) establishes a reasonable basis for the FDA or any Governmental Body to invoke its Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities Final Policy or any similar policy administered in any other applicable jurisdiction. No Acquired Corporation is the subject of any pending, or, to the knowledge of the Company, threatened investigation by the FDA pursuant to its Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities Final Policy, or by any Governmental Body pursuant to any similar Legal Requirement. As of the date of this Agreement, no Acquired Corporation nor, to the knowledge of the Company, any officers, employees, agents or clinical investigators has been suspended, disqualified, debarred or convicted of any crime or, to the knowledge of the Company, engaged in any conduct that would reasonably be expected to result

in (A) debarment under 21 U.S.C. § 335a or any similar Legal Requirement or (B) exclusion under 42 U.S.C. § 1320a-7 or any similar Legal Requirement.

(e) Each Acquired Corporation and the products manufactured or marketed by or on behalf of such Acquired Corporation have, since January 1, 2019, been in compliance in all material respects with all Legal Requirements applicable to ophthalmic pharmaceutical companies and to the operation of such Acquired Corporation's business, including the FDCA, its foreign equivalents and the regulations promulgated thereunder. No Acquired Corporation or, to the knowledge of the Company, third party that manufactures or commercializes finished product on behalf of the Acquired Corporations (but only in their capacity as such) has been subject to any enforcement, regulatory or administrative proceedings against or affecting such Acquired Corporation or such third party relating to or arising under the FDCA or similar Legal Requirements and no such enforcement, regulatory or administrative proceeding has been threatened in writing. No Acquired Corporation or to the knowledge of the Company third party that manufactures or commercializes finished product on behalf of any Acquired Corporation (but only in their capacity as such) is party to or has any ongoing obligations pursuant to or under any corporate integrity agreements, deferred prosecution agreements, monitoring agreements, consent decrees, settlement orders, plans of correction or similar agreements with or imposed by any Governmental Body.

(f) Each Acquired Corporation has operated its business in compliance in all material respects with all applicable Legal Requirements, clinical trial protocols, and contractual or other requirements that regulate or limit the maintenance, use, disclosure or transmission of medical records, clinical trial data, patient information or other Personal Information made available to or collected by or on behalf of any of the Acquired Corporations in connection with the operation of the Acquired Corporations' businesses, including the U.S. Health Insurance Portability and Accountability Act of 1996, as amended by the U.S. Health Information Technology for Economic and Clinical Health Act of 2009, including the regulations promulgated thereunder (collectively "HIPAA"), the U.S. Health Information Technology for Economic and Clinical Health Act (Pub. L. No. 111-5) ("HITECH") and HITECH implementing regulations, Directive 95/46/EC and all comparable Legal Requirements relating to any of the foregoing, as well as applicable similar requirements in any applicable regime (the "Health Care Data Requirements"). In conducting the Acquired Corporations' businesses, each Acquired Corporation has been in compliance in all material respects with applicable confidentiality, security and other measures required by the Health Care Data Requirements and all applicable privacy and security requirements of HIPAA and HITECH. As of the date of this Agreement, no Acquired Corporation has suffered any accidental, unauthorized, or unlawful destruction, loss, alteration, or disclosure of, or access to, Personal Information or suffered any security breach in relation to any other data which it holds. As of the date of this Agreement, no breach has occurred with respect to any unsecured Protected Health Information, as that term is defined in 45 C.F.R. §160.103, maintained by or for any Acquired Corporation that is subject to the notification requirements of 45 C.F.R. Part 164, Subpart D, and, no information security or privacy breach event has occurred that would require notification under any Health Care Data Requirement.

(g) Since January 1, 2019, none of the Acquired Corporations has received any written notice from a Governmental Body alleging or asserting that any of their products are misbranded as defined in 21 U.S.C. § 352 or adulterated as defined in 21 U.S.C. § 351, as amended, and the rules and regulations promulgated thereunder, or as defined in comparable Legal Requirements in any jurisdiction. The products manufactured or marketed by or on behalf of the Acquired Corporations have complied in all material respects with all applicable Legal Requirements, including cGMP, and, since January 1, 2019, the promotional materials and claims made by the Acquired Corporations for the products manufactured or marketed by or on

behalf of the Acquired Corporations have complied in all material respects with all applicable Legal Requirements.

(h) Since January 1, 2019, there have been no product recalls conducted by the Acquired Corporations, no product recalls of product manufactured by or on behalf of the Acquired Corporations, and no written requests from any Governmental Body requiring any Acquired Corporation to cease manufacturing, marketing, distributing or selling any products of the Acquired Corporations. Since January 1, 2019, no Governmental Body (including the FDA or similar entities) has initiated an injunction, seizure, or import or export prohibition against any Acquired Corporation, any product manufactured or marketed by or on behalf of any Acquired Corporation, or any third party establishment that manufactures or tests product on behalf of any Acquired Corporation (but only in their capacity as such). Since January 1, 2019, the Acquired Corporations have not received a “warning letter” or “untitled letter” or similar correspondence or written notice from any Governmental Body (including the FDA or similar entities), nor has any Acquired Corporation been asked or directed by any Governmental Body (including the FDA or similar entities) to make material changes to any of its products or product candidates. No Acquired Corporation has received an FDA Form 483 or similar list of regulatory observations from any Governmental Body (including the FDA or similar entities), and, to the knowledge of the Company, the observations that have been received have been addressed to the satisfaction of the issuing authorities.

(i) To the knowledge of the Company, since January 1, 2019, no Person has filed against the Company a Legal Proceeding relating to the False Claims Act of 1863 (31 U.S.C. § 3729 *et seq.*) or equivalent state statute, which was disclosed to the Company.

3.13 Compliance with Sanctions and Customs & Trade Control Laws; Certain Business Practices.

(a) Since January 1, 2019, the Acquired Corporations and their directors and officers, and to the knowledge of the Company, any of such Acquired Corporation’s other Representatives (in each case, acting in the capacity of a Representative of such Acquired Corporation) have been in compliance with Sanctions and Customs & Trade Control Laws.

(b) Neither the Acquired Corporations or their directors and officers, nor to the knowledge of the Company, any of such Acquired Corporation’s other Representatives, is a Sanctioned Person or a Restricted Person.

(c) Except as set forth in Section 3.13(c) of the Company Disclosure Schedule, since January 1, 2019, neither the Acquired Corporations or their directors and officers, nor to the knowledge of the Company, any of such Acquired Corporation’s employees or other Representatives (in each case, acting in the capacity of a Representative of such Acquired Corporation) has (i) been organized, operated, or resided in or (ii) had any prohibited transactions, business or financial dealings that benefited or directly or indirectly involved any Sanctioned Territory.

(d) The Company has in place controls and systems reasonably designed to ensure compliance in all material aspects with Sanctions and Customs & Trade Control Laws in each of the jurisdictions in which the Company does business.

(e) Since January 1, 2019, no Acquired Corporation has made any voluntary, direct, or involuntary disclosure, there are no pending or, to the knowledge of the Company, threatened, claims or any legal action against, or investigations, inquiries, or enforcement proceedings by any Governmental Body of, the Acquired Corporations, nor is there any judgment, penalty, or citation imposed (or, to the knowledge of the Company, threatened to be

imposed) upon the Acquired Corporations by or before any Governmental Body, in each case, in connection with any alleged violation of Sanctions or Customs & Trade Control Laws.

(f) Since January 1, 2019, no Acquired Corporation nor, any of its directors, officers or, to the knowledge of the Company, any of such Acquired Corporation's other Representatives (in each case, acting in the capacity of a Representative of such Acquired Corporation) has (a) used any funds (whether of an Acquired Corporation or otherwise) for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, (b) unlawfully provided anything of value to any Government Official or (c) violated any provision of any Anti-Corruption Laws or any rules or regulations promulgated thereunder or anti-money laundering laws or any rules or regulations promulgated thereunder. Since January 1, 2019, no Acquired Corporation has received any written communication from a Governmental Body that alleges any of the foregoing.

3.14 Governmental Authorizations. Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, the Acquired Corporations hold all material Governmental Authorizations necessary to enable the Acquired Corporations to conduct their business in the manner in which such business is currently being conducted. The material Governmental Authorizations held by the Acquired Corporations are valid and in full force and effect, except as would not have, or reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. The Acquired Corporations are in compliance in all material respects with the terms and requirements of such Governmental Authorizations, except as would not have, or reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

3.15 Tax Matters.

(a) (i) Each of the income and other material Tax Returns required to be filed by or on behalf of an Acquired Corporation with any Governmental Body (the "Company Returns") have been filed on or before the applicable due date (including any extensions of such due date), and have been prepared in accordance with all applicable Legal Requirements and are accurate and complete, in each case, in all material respects, and (ii) all income and other material Taxes due and payable by an Acquired Corporation (whether or not shown on the Company Returns) have been paid, and all income and other material Taxes required to be withheld by an Acquired Corporation have been withheld and paid, in each case, to the relevant Governmental Body.

(b) There are no pending, and there have not been in the preceding five-year period any, examinations or audits of any Company Return in progress involving material Taxes and no unresolved written claim has been received by any Acquired Corporation from any Governmental Body in any jurisdiction where an Acquired Corporation does not file a particular type of Tax Return or pay a particular type of Tax that such Acquired Corporation is or may be required to file such type of Tax Return or pay such Tax. No Acquired Corporation has received any notice, whether written or otherwise, from the IRS or any Governmental Body, indicating an intention to initiate an examination or audit of any Company Return. No extension or waiver of the statute of limitation period applicable to any income or other material Company Returns has been granted and is currently in effect, other than automatic extensions or waivers obtained in the ordinary course of business.

(c) No Legal Proceeding involving the IRS or any other Governmental Body is pending or has been threatened in writing against or with respect to any Acquired Corporation in respect of any material Tax, and no deficiency of material Taxes has been asserted in writing as a result of any audit or examination by any Governmental Body that has not been paid in full.

(d) For taxable years for which the applicable statute of limitations for an assessment of Taxes has not expired, no Acquired Corporation (i) has been a member of an affiliated group (within the meaning of Section 1504(a) of the Code or any similar provision of state, local, or non-U.S. Legal Requirements) filing a consolidated federal income Tax Return (other than a group all of the members of which were Acquired Corporations), and (ii) has any material liability for the Taxes of any other Person (other than the Acquired Corporations) under Section 1.1502-6 of the Treasury Regulations (or any similar provision of state, local or non-U.S. law), or as a transferee or successor or otherwise.

(e) During the preceding two-year period, none of the Acquired Corporations has been either a “distributing corporation” or a “controlled corporation” in a distribution of stock intended to qualify for tax-free treatment under Section 355 of the Code.

(f) No Acquired Corporation has participated in any “listed transaction” within the meaning of Treasury Regulations Section 1.6011-4(b)(2).

(g) No Acquired Corporations will be required to include any material item of income in, or exclude any material item of deduction from, the computation of taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any (i) change in method of accounting for a taxable period ending on or prior to the Closing Date as a result of transactions or events occurring, or accounting methods employed, prior to the Closing, (ii) “closing agreement” as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or non-U.S. income Tax law) executed prior to the Closing, (iii) installment sale or open transaction disposition made prior to the Closing, (iv) prepaid amount received or accrued deferred revenue accrued on or prior to the Closing Date (including, for the avoidance of doubt, any prepaid amount received or accrued deferred revenue recognized by any Acquired Corporation that may be included in income by another Acquired Corporation under Section 951 or Section 951A of the Code in a taxable year that includes the Closing Date) or (v) intercompany transaction or excess loss account described in Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provision of state, local or non-U.S. income Tax law).

(h) No Acquired Corporation is party to or bound by any Tax allocation or Tax sharing agreement with any Person, other than any agreement not primarily related to Taxes and entered into in the ordinary course of business.

(i) There are no material Encumbrances with respect to Taxes upon any of the assets or properties of any Acquired Corporation, other than Permitted Encumbrances.

(j) Each Acquired Corporation has complied in all material respects with all information reporting requirements.

(k) No Acquired Corporation is a “United States real property holding corporation” within the meaning of Section 897(c)(2) of the Code.

(l) No Acquired Corporation is required to, or will be required to, include in income any amounts determined pursuant to Section 965 of the Code, or to make any deferred payments with respect thereto (including pursuant to Section 965(h) of the Code), in any taxable period ending after the Closing Date.

(m) Each Acquired Corporation has been resident at all times since its incorporation solely in the jurisdiction of its incorporation and is not and has never been treated for any Tax purpose as resident (or dual-resident) in any other jurisdiction(s) and no Acquired

Corporation has at any time since incorporation had a branch, agency or permanent establishment outside the jurisdiction of its incorporation.

(n) No Acquired Corporation has requested, applied for, sought or received any relief, assistance or benefit, including any deferral of Taxes, from any Governmental Body under any COVID-19 Relief Legislation.

(o) No “closing agreement” pursuant to Section 7121 of the Code (or any similar provision of state, local or non-U.S. Legal Requirements) has been entered into by or with respect to any Acquired Corporation that has continuing effect after the Closing Date. No Acquired Corporation has requested or has been issued any private letter rulings, technical advice memoranda or similar agreements or rulings in respect of Taxes with any Governmental Body.

(p) The entry into the Agreement or consummation of the Transactions will not result in any income, profit or gain being deemed to accrue to the Irish Subsidiary for Tax purposes, and will not result in the withdrawal or clawback of any Tax relief or exemption previously claimed by the Irish Subsidiary. No Acquired Corporation is a party to or subject to any Tax exemption, Tax holiday or other Tax reduction agreement or order that is not generally available to Persons without specific application therefor.

(q) Notwithstanding anything to the contrary contained in this Agreement, the representations and warranties made in Sections 3.15 and 3.16 are the sole and exclusive representations and warranties of the Acquired Corporations with respect to Taxes and no other representation or warranty of the Acquired Corporations contained herein shall be construed to relate to Taxes (including their compliance with any Legal Requirement). For the avoidance of doubt, no representation is made concerning the existence or amount of any net operating loss, Tax basis or other Tax asset or liability.

3.16 Employee Matters; Benefit Plans.

(a) None of the Acquired Corporations is a party to, or is currently negotiating to enter into, any Collective Bargaining Agreement and no employees of any of the Acquired Corporations are represented by a labor organization with respect to their employment with such Acquired Corporation. With respect to any employees based in Ireland, there are no negotiations with any trade union, staff association or other organization formed for a similar purpose, which might affect such employees’ terms and conditions of employment. Since January 1, 2019, there has not been any strike, lockout, material work slowdowns, picketing or other union organizing activity, or, to the knowledge of the Company, any threat thereof, by any employees of any Acquired Corporation with respect to their employment with such Acquired Corporation. There are no material unfair labor practice complaints pending or, to the knowledge of the Company, threatened against any of the Acquired Corporations before the National Labor Relations Board or any other Governmental Body. The consent or consultation of, or the rendering of formal advice by, any labor or trade union, works council or other employee representative body is not required for the Company to enter into this Agreement or to consummate any of the transactions contemplated hereby.

(b) Section 3.16(b) of the Company Disclosure Schedule sets forth an accurate and complete list of each material Employee Plan as of the date of this Agreement (other than any at-will employment agreements or offer letters that do not provide for severance, transaction or retention bonuses, change in control payments or other contractual obligations for non-officer employees of the Acquired Corporations and equity grant notices and related documentation under a Company Equity Plan, with respect to employees of the Acquired Corporations). To the extent applicable, the Company has either delivered or made available to Parent prior to the

execution of this Agreement with respect to each material Employee Plan accurate and complete copies of, as applicable: (i) all plan documents and all amendments thereto, and all related trust or other funding documents, and in the case of unwritten material Employee Plans, written descriptions thereof, (ii) all determination letters, rulings, opinion letters, information letters or advisory opinions issued by the IRS or the United States Department of Labor, (iii) the most recently filed annual return/report (Form 5500) and accompanying schedules and attachments thereto, (iv) the most recently prepared actuarial report and financial statements and (v) the most recent prospectus or summary plan descriptions and any material modifications thereto.

(c) The Company has provided to Parent a true, accurate and complete schedule current to the date of this Agreement that sets forth, for each employee of the Acquired Corporations, as applicable, his or her position ID, title, employing entity, hire date, location, full-time or part-time status, exempt or non-exempt status, active or leave status (and if on leave, the nature of the leave and expected return date), annual base salary, commission, bonus or other incentive-based compensation opportunity (including whether such amounts are guaranteed or subject to a minimum), and type of employer-sponsored visa, if applicable (or, for purposes of employees based in Ireland, work permit or other required immigration permission). As of the date of this Agreement, there is no notice given and are no proposals to terminate the employment of any Key Employee and to the knowledge of the Company no Key Employee indicated to any of the Acquired Corporations' directors or executive officers that he or she intends to resign or retire as a result of the Transactions or otherwise within one year after the Closing Date.

(d) The Company has provided to Parent a schedule current to the date of this Agreement that sets forth, for each independent contractor of the Acquired Corporations, the independent contractor's name, Acquired Corporation engaging the independent contractor, date of commencement of service and anticipated termination date, if applicable, nature of assignment, fees and other renumeration and if there is a written contract for the work to be performed. To the knowledge of the Company, all individuals who are performing, and for the three-year period preceding the date of this Agreement have performed, services for any Acquired Corporation while classified as independent contractors have been properly so classified for all purposes. In the past two years, no Acquired Corporation has received written notice from any Person challenging the classification of these individuals as independent contractors.

(e) Each individual who is currently providing services to any Acquired Corporation through a third party service provider, or who provided services to any Acquired Corporation through a third party service provider, is not or was not an employee of any Acquired Corporation. No Acquired Corporation has a single employer, joint employer, alter ego or similar relationship with any other entity.

(f) Neither the Company nor any other Person that would be or, at any relevant time, would have been considered a single employer with the Company under the Code or ERISA has ever sponsored, maintained, administered, contributed to, has been required to contribute to or has or is reasonably expected to have any direct or indirect liability with respect to, any plan subject to Title IV of ERISA or Code Section 412, including any "single employer" defined benefit plan or any "multiemployer plan," each as defined in Section 4001 of ERISA.

(g) No Acquired Corporation is or has ever been an employer of, or been associated or connected with an employer of, any defined benefit pension arrangement. No Acquired Corporation has any obligation (whether written or oral) to fund or contribute to or has any liability (whether current, future or contingent) in respect of a defined benefit pension arrangement.

(h) No employee or former employee of any Acquired Corporation transferred to that Acquired Corporation pursuant to any regulation implementing the Acquired Rights Directive 2001/23/EC or equivalent automatic transfer regulations.

(i) Each of the Employee Plans that is intended to be qualified under Section 401(a) of the Code has obtained a favorable determination letter (or opinion letter, if applicable) as to its qualified status under the Code, each such Employee Plan has timely adopted all currently effective amendments to the Code and to the Company's knowledge there are no events that have occurred that would reasonably be expected to affect adversely the qualified status of any such Employee Plan. Each trust created under any such Employee Plan is exempt from Tax under Section 501(a) of the Code and has been so exempt since its creation. Each of the Employee Plans is now and has been operated in compliance in all material respects with its terms and all applicable Legal Requirements, including ERISA and the Code. As of the date of this Agreement, the Acquired Corporations are, and have been since January 1, 2019, in material compliance with all of their obligations under and in respect of each Employee Plan and all applicable Legal Requirements with respect to each Employee Plan. No events have occurred with respect to any Employee Plan that would reasonably be expected to result in payment or assessment by or against any Acquired Corporation of any material excise Tax under ERISA or the Code. The Acquired Corporations are not and could not reasonably be expected to be subject to either a material liability pursuant to Section 502 of ERISA or a material Tax imposed pursuant to Section 4975 or 4976 of the Code. Each of the Employee Plans that are pension plans operated for the benefit of employees based in Ireland are exempt approved schemes within the meaning of Section 774 of the TCA and, to the Company's knowledge, there is no event, occurrence or circumstance that may cause such exempt approved status to be withdrawn.

(j) Except to the extent required under Section 601 *et seq.* of ERISA or 4980B of the Code (or any other similar state or local Legal Requirement), none of the Acquired Corporations nor any Employee Plan has any present or future obligation to provide post-employment or post-retirement welfare benefits to or make any payment to, or with respect to, any present or former employee, officer or director of any Acquired Corporation pursuant to any Employee Plan.

(k) Except as provided in Section 1.6, the consummation of the Transactions (including in combination with other events or circumstances) will not (i) entitle any current or former employee, director, officer, or independent contractor of any of the Acquired Corporations to any severance pay, bonus, retention, or other similar payment or benefit, (ii) enhance any benefits or accelerate the time of payment or vesting or trigger any payment, or increase the amount of compensation or benefits due to any such employee, director, officer, independent contractor, (iii) directly or indirectly cause any Acquired Corporation to transfer or set aside any material assets to fund any benefits under any Employee Plan or (iv) limit or restrict the right of any of the Acquired Corporations or, after Closing, Parent, to merge, amend or terminate any Employee Plan.

(l) No Employee Plan, individually or collectively, could reasonably be expected to give rise to the payment of any amount that would not be deductible due to the application of Section 280G of the Code.

(m) Each Employee Plan, and any award thereunder, that is or forms part of a "nonqualified deferred compensation plan" within the meaning of Section 409A or 457A of the Code has been operated in material compliance with, and the Acquired Corporations have materially complied in practice and operation with, all applicable requirements of Sections 409A and 457A of the Code. None of the Acquired Corporations has any obligation to gross-up, indemnify or otherwise reimburse any current or former employee, director, officer or

independent contractor for any Tax incurred by such Person under Section 409A, 457A or 4999 of the Code.

(n) As of the date hereof, there is, and for the three-year period preceding the date of this Agreement there has been, no material Legal Proceeding pending against or involving, or, to the Company's knowledge, threatened against or involving any Employee Plan, employee or independent contractor of any Acquired Corporation before any arbitrator or any Governmental Body, including the IRS, Equal Employment Opportunity Commission or the United States Department of Labor. As of the date hereof, the Acquired Corporations are, and have been since January 1, 2019, in material compliance with all applicable Legal Requirements with respect to employment and labor matters, including those relating to labor relations, wages, vacation, hours of work, holiday pay calculation, overtime, employee classification, discrimination, harassment, sexual harassment, child labor, civil rights, pay equity, disability rights and benefits, employee leave issues, affirmative action, equal opportunity, work authorization, immigration, safety and health, information privacy and security, workers' compensation, unemployment insurance, plant closures and layoffs, continuation coverage under group health plans, wage payment and the payment and withholding of Taxes and, in addition, in respect of any employees based in Ireland, unfair dismissal, occupational stress, bullying, ill-health, transfer of undertakings (pursuant to any regulation implementing the Acquired Rights Directive 2001/23/EC or equivalent automatic transfer regulations) and breach of contract. As of the date of this Agreement, and since January 1, 2017, (i) no allegations of sexual harassment, sexual misconduct or discrimination have been made against any Key Employee and (ii) neither the Acquired Corporations nor any Key Employee has entered into any written settlement agreement related to any such allegations of sexual harassment, sexual misconduct or discrimination made by any Person.

(o) The Acquired Corporations are, and have been since January 1, 2019, in material compliance with the Worker Adjustment and Retraining Notification Act and any comparable foreign, state or local law ("WARN") and have no material outstanding liabilities or other material outstanding obligations thereunder. None of the Acquired Corporations has taken any action that would reasonably be expected to cause Parent or any of its Affiliates to have any material liability or other material obligation following the Closing Date under WARN.

(p) Each Employee Plan that covers employees, directors, officers or independent contractors that are not located primarily within the United States (i) has been maintained in material compliance with its terms and applicable Legal Requirements, (ii) if intended to qualify for special tax treatment, meets all the requirements for such treatment, and (iii) if required, to any extent, to be funded, book-reserved or secured by an insurance policy, is funded, book-reserved or secured by an insurance policy, as applicable, in accordance with applicable requirements and, if applicable, based on reasonable actuarial assumptions in accordance with applicable accounting principles.

(q) In respect of any employees based in Ireland, the Company has provided to Parent a true, accurate and complete schedule current to the date of this Agreement of all employee terminations for the 12 months preceding the date of this Agreement and that, in respect of such terminations, there are no claims in existence, pending or threatened or, to the knowledge of the Company, capable of arising, against any of the Acquired Corporations.

3.17 Environmental Matters.

(a) The Acquired Corporations are and, except for matters which have been fully resolved, have been since January 1, 2019 in compliance in all material respects with all applicable Environmental Laws, which compliance includes obtaining, maintaining or complying with all Governmental Authorizations required under Environmental Laws for the operation of

their business, except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) There is no material Legal Proceeding relating to or arising under Environmental Law that is pending, or, to the knowledge of the Company, threatened against any Acquired Corporation or, to the knowledge of the Company, in respect of any Leased Real Property.

(c) Since January 1, 2019, no Acquired Corporation has received any written notice, report or other information of or entered into any legally binding agreement, order, settlement, judgment, injunction or decree involving uncompleted, outstanding or unresolved material violations, liabilities or requirements on the part of any Acquired Corporation relating to or arising under Environmental Laws.

(d) To the knowledge of the Company, there are and have been no Hazardous Materials present or Releases on, at, under or from the Leased Real Property or any real property formerly owned or leased by the Acquired Corporations, in a manner and concentration that would reasonably be expected to result in any material claim against or liability of an Acquired Corporation under any Environmental Law.

(e) No Acquired Corporation has assumed, undertaken, or otherwise become subject to any currently known material liability of another Person relating to Environmental Laws.

(f) The Acquired Corporations have delivered or otherwise made available for inspection to Parent copies of any material reports, audits, assessments (including Phase I environmental site assessments and Phase II environmental site assessments), correspondence, studies, analyses, tests or monitoring prepared since January 1, 2019 and in the possession of or reasonably available to any of the Acquired Corporations pertaining to: (i) any unresolved material liabilities under Environmental Law; (ii) any Hazardous Materials in, on, beneath or adjacent to any property currently or formerly owned, operated or leased by, and reasonably likely to result in material liabilities of, any Acquired Corporation; or (iii) any Acquired Corporation's noncompliance in any material respect with applicable Environmental Laws.

3.18 Insurance. Section 3.18 of the Company Disclosure Schedule sets forth an accurate and complete list of all material insurance policies relating to the business, assets and operations of the Acquired Corporations as of the date of this Agreement. Except as has not had, or would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, the Acquired Corporations maintain insurance coverage in such amounts and covering such risks as are in accordance in all material respects with normal industry practice for companies of similar size and stage of development. To the knowledge of the Company, all such insurance policies are in full force and effect, all premiums due thereunder have been paid in full, no written notice of cancellation or material modification has been received (other than a notice in connection with ordinary renewals), and there is no existing material default or event which, with the giving of notice or lapse of time or both, would constitute a material default or breach, by any insured thereunder, except for such default that is not, and would not reasonably be expected to be, material, individually or in the aggregate, to the Acquired Corporations. There is no material claim pending under any of the Company's insurance policies as to which coverage has been denied by the underwriters of such policies, except for such claim that is not, and would not reasonably be expected to be, material, individually or in the aggregate, to the Acquired Corporations.

3.19 Legal Proceedings; Orders.

(a) As of the date of this Agreement, there are no material Legal Proceedings pending (or, to the knowledge of the Company, threatened) against any Acquired Corporation or, to the knowledge of the Company, against any present or former officer, director or employee of an Acquired Corporation in such individual's capacity as such, except as has not had, or would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) As of the date of this Agreement, to the knowledge of the Company, there is no material order, writ, injunction or judgment to which an Acquired Corporation is subject (excluding customary confidentiality requirements and other similar administrative requirements).

(c) As of the date of this Agreement, to the knowledge of the Company, no material investigation or review by any Governmental Body with respect to an Acquired Corporation is pending or being threatened in writing (excluding customary inspections by any Governmental Body conducted in the ordinary course of the Acquired Corporations' business).

3.20 Authority; Binding Nature of Agreement. The Company has the corporate power and authority to execute and deliver and to perform its obligations under this Agreement and to consummate the Transactions, subject to obtaining the affirmative vote of the holders of a majority of the outstanding shares of Company Common Stock voting to approve and adopt this Agreement and the Merger at the Stockholder Meeting (the "Company Stockholder Approval"). The Company Stockholder Approval is the only vote of the holders of any of the Company's capital stock necessary in connection with the consummation of the Transactions and the Merger. The Board of Directors has (i) determined that this Agreement and the Transactions, including the Merger, are fair to, and in the best interest of, the Company and its stockholders, (ii) declared it advisable to enter into this Agreement, (iii) approved the execution, delivery and performance by the Company of this Agreement and the consummation of the Transactions, including the Merger and (iv) resolved to recommend that the stockholders of the Company approve the adoption of this Agreement (the preceding clauses (i) through (iv), the "Company Board Recommendation"), which resolutions, subject to Section 6.1, have not been subsequently withdrawn or modified in a manner adverse to Parent as of the date of this Agreement. This Agreement has been duly executed and delivered by the Company, and assuming due authorization, execution and delivery by Parent and Merger Sub, this Agreement constitutes the legal, valid and binding obligation of the Company and is enforceable against the Company in accordance with its terms, except as such enforcement may be subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights, and by general equitable principles.

3.21 Non-Contravention; Consents.

(a) Assuming compliance with the applicable provisions of the DGCL, the HSR Act and other Antitrust Laws, the rules and regulations of the SEC and Nasdaq, and obtaining the Company Stockholder Approval, the execution and delivery of this Agreement by the Company and the consummation of the Transactions will not: (i) cause a violation of any of the provisions of the certificate of incorporation or bylaws (or other organizational documents) of any Acquired Corporation; (ii) cause a violation by any Acquired Corporation of any Legal Requirement applicable to an Acquired Corporation, or to which an Acquired Corporation is subject; (iii) require any consent or notice under, conflict with, result in breach of, or constitute a default under (or an event that with notice or lapse of time or both would become a default), or give rise to any right of payment, purchase, termination, amendment, cancellation, acceleration or other adverse change of any right or obligation or the loss of any benefit to which an Acquired Corporation is entitled under any provision of any Material Contract, except with respect to the Convertible Notes Indenture; or (iv) result in an Encumbrance (other than a Permitted Encumbrance) on any of the property or assets of any Acquired Corporation, and in the case of

clause (i) with respect to the Company's Subsidiaries and clauses (ii), (iii) and (iv), as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) Except for the filing of the certificate of merger with the Secretary of State of the State of Delaware or as may be required by the Exchange Act (including the filing with the SEC of the Proxy Statement and such reports under the Exchange Act as may be required in connection with this Agreement and the Transactions), the DGCL, the HSR Act and any applicable filing, notification or approval in any foreign jurisdiction required by Antitrust Laws, and the applicable rules and regulations of the SEC and Nasdaq, the Acquired Corporations are not required to give notice to, make any filing with, or obtain any Consent from any Governmental Body at any time prior to the Closing in connection with the execution and delivery of this Agreement by the Company, or the consummation by the Company of the Merger or the other Transactions, except those that the failure to make or obtain as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

3.22 Takeover Laws. Assuming the accuracy of the representations and warranties of Parent and Merger Sub set forth in Section 4.8, the Board of Directors has taken and will take all actions so that the restrictions applicable to business combinations contained in Section 203 of the DGCL and any other Takeover Law are, and will be, inapplicable to the execution, delivery and performance of this Agreement, and to the consummation of the Merger and the other Transactions.

3.23 Opinion of Financial Advisors. The Board of Directors has received the opinion of Goldman Sachs & Co. LLC that, as of the date of such opinion and based on and subject to the matters set forth therein, the Merger Consideration to be paid to the holders (other than Parent and its Affiliates) of Shares pursuant to this Agreement is fair, from a financial point of view to such holders of Shares. The Company shall provide a copy of such written opinion to Parent solely for informational purposes and on a non-reliance basis promptly after the execution of this Agreement by each of the Parties hereto.

3.24 Brokers and Other Advisors. Except for Goldman Sachs & Co. LLC, no investment banker, broker or finder in connection with the Transactions is entitled to any fee or any commission in connection with this Agreement or upon consummation of the Transactions (including the Merger) based on arrangements made by or on behalf of the Company or any of its Subsidiaries.

SECTION 4

REPRESENTATIONS AND WARRANTIES OF PARENT AND PURCHASER

Parent and Merger Sub represent and warrant to the Company as follows:

4.1 Due Organization. Each of Parent and Merger Sub is a corporation or other Entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has all necessary power and authority: (i) to conduct its business in the manner in which its business is currently being conducted; and (ii) to own and use its assets in the manner in which its assets are currently owned and used. Each of Parent and Merger Sub is qualified or licensed to do business as a foreign corporation, and is in good standing, in each jurisdiction where the nature of its business requires such qualification or licensing, except where the failure does not have, and would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

4.2 Merger Sub. Merger Sub has not engaged, and prior to the Effective Time will not engage, in any business activities or conduct any operations other than in connection with the

Transactions and those incident to Merger Sub's formation. Parent owns beneficially and of record all of the outstanding capital stock of Merger Sub, free and clear of all Encumbrances and transfer restrictions, except for Encumbrances or transfer restrictions of general applicability as may be provided under the Securities Act or applicable securities laws.

4.3 Authority; Binding Nature of Agreement. Parent and Merger Sub have the corporate, limited liability company or other power and authority to execute and deliver and perform their obligations under this Agreement, and to consummate the Transactions, subject to the Merger Sub Sole Stockholder Approval. The board of directors of each of Parent and Merger Sub have approved the execution, delivery and performance by Parent and Merger Sub of this Agreement, and the consummation of the Transactions, including the Merger, subject to the Merger Sub Sole Stockholder Approval. This Agreement has been duly executed and delivered by Parent and Merger Sub, and assuming due authorization, execution and delivery by the Company, this Agreement constitutes the legal, valid and binding obligation of Parent and Merger Sub and is enforceable against Parent and Merger Sub in accordance with its terms, except as such enforcement may be subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights, and by general equitable principles. No vote of Alcon Inc.'s shareholders is necessary to approve this Agreement or any of the Transactions.

4.4 Non-Contravention; Consents.

(c) Assuming compliance with the applicable provisions of the DGCL, the Limited Liability Company Act of the State of Delaware (the "LLC Act"), the HSR Act and other Antitrust Laws, and, if applicable, the rules and regulations of the SEC and any national securities exchange, the execution and delivery of this Agreement by Parent or Merger Sub, and the consummation of the Transactions, will not: (i) cause a violation of any of the provisions of the certificate of incorporation or bylaws (or other organizational documents) of Parent or Merger Sub; (ii) cause a violation by Parent or Merger Sub of any Legal Requirement applicable to Parent or Merger Sub, or to which Parent or Merger Sub are subject; or (iii) require any consent or notice under, conflict with, result in breach of, or constitute a default under (or an event that with notice or lapse of time or both would become a default), or give rise to any right of purchase, termination, amendment, cancellation, acceleration or other adverse change of any right or obligation or the loss of any benefit to which Parent or Merger Sub is entitled under any provision of any Contract, and in the case of clauses (ii) and (iii) above, as would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

(d) Except for the filing of the certificate of merger with the Secretary of State of the State of Delaware or as may be required by the Exchange Act, Takeover Laws, the DGCL, the LLC Act, the HSR Act and any applicable filing, notification or approval in any foreign jurisdiction required by Antitrust Laws, and the applicable rules and regulations of the SEC and any national securities exchange, neither Parent nor Merger Sub, nor any of Parent's other Affiliates, is required to give notice to, make any filing with or obtain any Consent from any Governmental Body in connection with the execution and delivery of this Agreement by Parent or Merger Sub, or the consummation by Parent or Merger Sub of the Merger or the other Transactions, except those that the failure to make or obtain as would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

4.5 Disclosure. None of the written information with respect to Parent or Merger Sub supplied or to be supplied by or on behalf of Parent or Merger Sub or any of their Subsidiaries, specifically for inclusion or incorporation by reference in the Proxy Statement will, (i) at the time such document is filed with the SEC, (ii) at any time such document is amended or supplemented or (iii) at the time such document is first published, sent or given to the Company's stockholders, 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.

4.6 Absence of Litigation. As of the date of this Agreement, there is no Legal Proceeding pending and served or, to the knowledge of Parent, pending and not served or threatened, against Parent or Merger Sub, except as would not, and would not reasonably be expected to, individually or in the aggregate, have a Parent Material Adverse Effect. As of the date of this Agreement, neither Parent nor Merger Sub is subject to any continuing order of, consent decree, settlement agreement or similar written agreement with, or continuing investigation by, any Governmental Body, or any order, writ, judgment, injunction, decree, determination or award of any Governmental Body or settlement agreement or similar written agreement, except as would not, and would not reasonably be expected to, individually or in the aggregate, have a Parent Material Adverse Effect.

4.7 Funds. Parent has, and at the Effective Time Parent will have, immediately available funds in an amount sufficient to consummate the Transactions and to pay all fees and expenses in connection with the consummation of the Transactions (including immediately available funds in an amount sufficient to pay the Merger Consideration and the Equity Award Consideration).

4.8 Ownership of Shares. Neither Parent nor any of its Subsidiaries nor any “Affiliate” or “Associate” (as each such term is defined in Section 203 of the DGCL) of Parent or any of its Subsidiaries, is, or has been at any time during the period commencing three (3) years prior to the date hereof through the date hereof, an “interested stockholder” (as such term is defined in Section 203 of the DGCL) of the Company. Neither Parent nor Merger Sub, nor any of their respective Subsidiaries owns (as defined in Section 203 of the DGCL) or beneficially owns (as defined in Rule 13d-3(a) of the Exchange Act) any Company Common Stock or other securities convertible into, exchangeable into or exercisable for shares of Company Common Stock. There are no voting trusts or other agreements or understandings to which Parent or Merger Sub or any of their Affiliates is a party with respect to the voting of capital stock or other equity interests of the Company or any of its Subsidiaries.

4.9 Acknowledgement by Parent and Merger Sub.

(a) Neither Parent nor Merger Sub is relying and neither Parent nor Merger Sub has relied on any representations or warranties whatsoever regarding the Transactions or the subject matter of this Agreement, express or implied, except for the representations and warranties in Section 3, including the Company Disclosure Schedule. Such representations and warranties by the Acquired Corporations constitute the sole and exclusive representations and warranties of the Acquired Corporations in connection with the Transactions and each of Parent and Merger Sub understands, acknowledges and agrees that all other representations and warranties of any kind or nature whether express, implied or statutory are specifically disclaimed by the Acquired Corporations.

(b) In connection with the due diligence investigation of the Acquired Corporations by Parent and Merger Sub and their respective Affiliates, stockholders or Representatives, Parent and Merger Sub and their respective Affiliates, stockholders and Representatives have received and may continue to receive after the date of this Agreement from the Company, the other Acquired Corporations and their respective Affiliates, stockholders and Representatives certain estimates, projections, forecasts and other forward-looking information, as well as certain business plan information, regarding the Acquired Corporations and their respective businesses and operations. Parent and Merger Sub hereby acknowledge that there are uncertainties inherent in attempting to make such estimates, projections, forecasts and other forward-looking statements, as well as in such business plans, and that Parent and Merger Sub

will have no claim against the Acquired Corporation, or any of their respective Affiliates, stockholders or Representatives, or any other Person with respect thereto unless any such information is expressly included in a representation or warranty contained in this Agreement. Accordingly, Parent and Merger Sub hereby acknowledge and agree that neither the Acquired Corporations nor any of their respective Affiliates, stockholders or Representatives, or any other Person, has made or is making any express or implied representation or warranty with respect to such estimates, projections, forecasts, forward-looking statements or business plans unless any such information is expressly included in a representation or warranty contained in this Agreement.

4.10 Brokers and Other Advisors. Except for JPMorgan Chase Bank, N.A., no investment banker, broker or finder in connection with the Transactions is entitled to any fee or any commission in connection with this Agreement or upon consummation of the Transactions (including the Merger) based on arrangements made by or on behalf of Parent or any of its Subsidiaries.

4.11 Solvency. None of Parent or Merger Sub is entering into the Transactions with the actual intent to hinder, delay or defraud creditors of the Company or any of its Subsidiaries. As of the Closing, assuming the accuracy in all material respects of the representations and warranties set forth in Section 3, after giving effect to any indebtedness being incurred on such date in connection herewith, Parent and its Subsidiaries (including the Company and its Subsidiaries), on a consolidated basis, will be solvent, such that they (i) are able to pay their respective indebtedness and other liabilities, contingent or otherwise, as such indebtedness and other liabilities become due in the usual course of business; (ii) have a total “fair saleable value” (determined on a going concern basis) of assets not less than the sum of their liabilities, contingent or otherwise, as of such date; and (iii) do not have unreasonably small capital and liquidity with which to conduct their business. Parent is not entering into this Agreement with the actual intent to hinder, delay or defraud either present or future creditors of itself or of the Company and its Subsidiaries.

SECTION 5

CERTAIN COVENANTS OF THE COMPANY

5.1 Access and Investigation. During the period from the date of this Agreement until the earlier of the Effective Time and the termination of this Agreement pursuant to Section 8 (the “Pre-Closing Period”), upon reasonable advance notice to the Company, the Acquired Corporations shall, and shall cause the respective Representatives of the Acquired Corporations to, provide Parent and Parent’s Representatives with reasonable access during normal business hours of the Company to the Company’s designated Representatives, facilities and assets and to all existing books, records, documents and information relating to the Acquired Corporations, and promptly provide Parent and Parent’s Representatives with all reasonably requested information regarding the business of the Acquired Corporations and such additional financial, operating and other data and information regarding the Acquired Corporations, as Parent may reasonably request, in each case for any reasonable business purpose related to the consummation of the Transactions; *provided, however,* that any such access shall be conducted at Parent’s expense, at a reasonable time, under the supervision of appropriate personnel of the Acquired Corporations and in such a manner as not to unreasonably interfere with the normal operation of the business of the Acquired Corporations and subject to any reasonable restrictions imposed in connection with the COVID-19 pandemic. Nothing herein shall require any of the Acquired Corporations to provide access or disclose any information to Parent if such access or disclosure (i) would jeopardize any attorney-client or other legal privilege (so long as the Acquired Corporations have reasonably cooperated with Parent to permit such inspection of or to disclose such information on a basis that does not waive such privilege with respect thereto),

(ii) would contravene any applicable Legal Requirement (so long as the Acquired Corporations have reasonably cooperated with Parent to permit disclosure to the extent permitted by Legal Requirements), (iii) is reasonably pertinent to a litigation where the Company or any of its Affiliates, on the one hand, and Parent or any of its Affiliates, on the other hand, are adverse parties, (iv) subject to, and without limiting, the requirements of Section 5.4 and Section 6.1, involves information related to the negotiation and execution of this Agreement or to transactions potentially competing with or alternative to the Transactions or proposals from other third parties relating to any competing or alternative transactions (including Acquisition Proposals) and the actions of the Board of Directors (or any committee thereof) with respect to any of the foregoing, whether prior to or after the execution of this Agreement, (v) subject to, and without limiting, the requirements of Section 5.4 and Section 6.1, involves any information related to a Company Adverse Recommendation Change or the actions of the Board of Directors (or any committee thereof) with respect thereto, or (vi) involves any invasive sampling, testing or investigation of water, groundwater, soil, sediment, soil vapor, air, or other environmental media at any of the Leased Real Property. With respect to the information disclosed pursuant to this Section 5.1, Parent shall comply with, and shall cause Parent's Representatives to comply with, all obligations under the Confidentiality Agreement, dated April 8, 2022, as amended on July 27, 2022, between the Company and Parent (the "Confidentiality Agreement").

5.2 Operation of the Acquired Corporations' Business. During the Pre-Closing Period, except (i) as expressly required by this Agreement or as required by applicable Legal Requirements, (ii) with the written consent of Parent (which consent shall not be unreasonably withheld, conditioned or delayed) or (iii) as set forth in Section 5.2(A) of the Company Disclosure Schedule:

(a) the Company shall, and shall cause each Acquired Corporation to, use commercially reasonable efforts to conduct its business in the ordinary course and use its commercially reasonable efforts to preserve intact its material business organizations and material business relationships with third parties; and

(b) the Acquired Corporations shall not:

(i) (A) establish a record date for, declare, set aside or pay any dividend or make any other distribution in respect of any shares of its capital stock (including the Shares), other than dividends and distributions paid by wholly owned Subsidiaries of the Company to the Company or to any of the Company's other wholly owned Subsidiaries, or (B) repurchase, redeem or otherwise reacquire any of the Shares, or any rights, warrants or options to acquire any of the Shares, other than: (1) repurchases of Shares outstanding as of the date of this Agreement pursuant to the Company's right (under written commitments in effect as of the date of this Agreement) to purchase Shares held by a Company Associate only upon termination of such Person's employment or engagement by the Company; (2) repurchases of Company Options, Company SARs, Company Restricted Stock or Company RSUs (or Shares issued upon the exercise or vesting thereof) outstanding on the date of this Agreement pursuant to the terms of any such Company Option, Company SAR or Company RSU (in effect as of the date of this Agreement); (3) in connection with withholding to satisfy the exercise price or Tax obligations with respect to Company Options, Company SARs, Company Restricted Stock or Company RSUs; or (4) settlement or conversions of any of the Convertible Notes pursuant to the terms of the Convertible Notes Indenture;

(ii) split, combine, subdivide or reclassify any Shares or other equity interests, except for any such transaction by a wholly owned Subsidiary of the Company which remains a wholly owned Subsidiary after consummation of such transaction;

(iii) sell, issue, grant, deliver, pledge, transfer, encumber or authorize the sale, issuance, grant, delivery, pledge, transfer or encumbrance of (A) any capital stock, equity interest or other security, (B) any option, call, warrant, restricted securities or right to acquire any capital stock, equity interest or other security, or (C) any instrument convertible into or exchangeable for any capital stock, equity interest or other security; *provided, however,* the Company may issue Shares (1) as required to be issued upon the exercise or vesting of Company Options, Company SARs and Company RSUs that, in each case, are outstanding as of the date of this Agreement and as required pursuant to the terms of such awards as in effect on the date of this Agreement, and may, subject to Section 6.5, issue any Shares issuable to participants in the Company ESPP in accordance with the terms thereof, (2) as required to be issued in connection with any conversion of the Convertible Notes pursuant to the terms of the Convertible Notes Indenture and (3) solely among the Company and the Company's wholly owned Subsidiaries;

(iv) except as contemplated by Section 1.6 or as required under any Employee Plan as in effect on the date of this Agreement, (A) establish, adopt, enter into, terminate or materially amend any Employee Plan (or any plan, program, arrangement or agreement that would be an Employee Plan if it were in existence on the date of this Agreement), (B) amend or waive any of its material rights under, or accelerate the vesting under, any provision of any of the Employee Plans (or any plan, program, arrangement or agreement that would be an Employee Plan if it were in existence on the date of this Agreement), (C) grant or increase any severance, retention or termination pay to any current or former employee, officer, director or independent contractor of any of the Acquired Corporations, (D) grant any employee, officer, director or independent contractor any of the Acquired Corporations any increase in compensation or benefits, (E) grant any equity, equity-based or other incentive awards to, or discretionarily accelerate the vesting or payment of any such awards held by, any current or former employee, officer, director or independent contractor of any of the Acquired Corporations, (F) hire any individual who would be a Key Employee or promote any individual into a position which would make that individual a Key Employee, (G) terminate or give notice to terminate the employment of any Key Employees other than for cause or gross misconduct or (H) announce or agree to any redundancies or redundancy terms; *provided, however,* the Company may: (1) provide increases in base salary or wages of not more than 5% to any employees in the ordinary course of business; (2) amend any Employee Plan to the extent required by applicable Legal Requirements or, with respect to health and welfare plans, in the ordinary course of business as part of annual plan renewal procedures; (3) enter into at-will employment agreements in connection with the hiring of non-Key Employees in the ordinary course of business; and (4) enter into agreements with consultants in the ordinary course of business (and on terms consistent with the terms entered into with consultants by the Company); *provided, further,* that, in the case of clauses (3) and (4) above, such employment or consulting agreements do not provide for total annual compensation in excess of \$350,000 and are terminable without penalty on less than 90 days' advance notice and do not provide for severance, change in control or other material contractual benefits;

(v) amend or permit the adoption of any amendment to its certificate of incorporation or bylaws or other charter or organizational documents;

(vi) acquire any equity interest in any other Entity or enter into any material joint venture, partnership or similar arrangement, except transactions between the Company and a wholly owned Acquired Corporation or between wholly owned Acquired Corporations;

(vii) make or authorize any capital expenditure (except that the Acquired Corporations may make capital expenditures that do not exceed \$500,000 in the aggregate);

(viii) acquire, lease, license, sublicense, pledge, sell or otherwise dispose of, divest or spin-off, abandon, waive, create or incur any Encumbrance (other than any Permitted Encumbrances) on, relinquish or permit to lapse, transfer or assign any material right or other material asset or real or personal property (other than Intellectual Property Rights, which are addressed in Section 5.2(b)(ix) below), except (A) in the ordinary course of business, (B) pursuant to dispositions of obsolete, surplus or worn out assets that are no longer useful in the conduct of the business of the Acquired Corporations, (C) capital expenditures permitted by clause (vii) of this Section 5.2(b) or (D) transactions between the Company and a wholly owned Acquired Corporation or between wholly owned Acquired Corporations;

(ix) acquire, lease, license, sublicense, pledge, sell, or otherwise dispose of, divest or spin-off, abandon, waive, create or incur any Encumbrance (other than a Permitted Encumbrance described in clauses (a) through clause (d) or clause (f) of the definition of Permitted Encumbrance) on, relinquish or permit to lapse (other than any Patent expiring at the end of its statutory term), grant any other right or immunity under (whether present or contingent, including any option, right of first refusal or other preferential right, non-assert or covenant not to sue), transfer or assign, or fail to take any action necessary to maintain, enforce or protect, any Intellectual Property Right, except (A) granting non-exclusive licenses (1) pursuant to clinical trial agreements or supply agreements in which clinical trials or supply services are being performed for an Acquired Corporation (where such license is granted to enable the performance of such services), or other similar agreements, in each case, that are entered into by an Acquired Corporation in the ordinary course of business, and (2) where the grant of rights to use any Intellectual Property Rights are incidental, and not material to, any performance under each such agreement or (B) transactions between the Company and a wholly owned Acquired Corporation or between wholly owned Acquired Corporations;

(x) (A) lend money or make capital contributions or advances to or make investments in, any Person, or incur, issue or guarantee any Indebtedness (except for advances to employees and consultants for travel and other business related expenses in the ordinary course of business and in compliance with the Company's policies related thereto), other than between the Company and a wholly owned Acquired Corporation or between wholly owned Acquired Corporations or (B) invest or re-invest any funds or monies in any financial instruments, cryptocurrency or securities that do not qualify as cash and cash equivalents;

(xi) except as otherwise contemplated by this Section 5.2(b), (A) amend or modify in any material respect, or voluntarily terminate, any Material Contract in a manner which is adverse to the Company, (B) enter into any Contract that would constitute a Material Contract if it were in effect on the date of this Agreement or (C) enter into the arrangement set forth in Section 5.2(B) of the Company Disclosure Schedule, or thereafter amend or modify in any material respect, or voluntarily terminate, such arrangement;

(xii) except as required by applicable Legal Requirements or GAAP and subject to the proviso below, (A) make any material change to any accounting method or accounting period used for Tax purposes that has a material effect on Taxes; (B) make, rescind or change any material Tax election; (C) file a material amended Tax Return; (D) enter into a closing agreement with any Governmental Body regarding any material Tax liability or assessment; (E) settle, compromise or consent to any material Tax claim or assessment or surrender a right to a material Tax refund, offset or other reduction in Tax liability; (F) waive or extend the statute of limitations with respect to any material Tax or material Tax Return (except in connection with automatic extensions of time to file Tax Returns granted in the ordinary course of business); or (G) take any other action outside of the ordinary course of business relating to the filing of any Tax Return or the payment of any Tax, if such action would have the effect of (i) materially increasing the Tax liability of any Acquired Corporation for any taxable period ending after the Closing Date, (ii) materially decreasing any Tax attribute of any Acquired

Corporation existing on the date of this Agreement, or (iii) losing any reliefs (including research and development Tax credits) or capital allowances on specified intangible assets under Section 291A of the TCA claimed by any Irish Subsidiary prior to the Closing Date; *provided*, that the Company shall cause Aerie Pharmaceuticals Limited to report advance payments on the full inclusion method provided in Treasury Regulations Section 1.451-8(b) on the Company's U.S. federal income tax returns for the taxable year ended December 31, 2020 and thereafter;

(xiii) settle, release, waive or compromise any Legal Proceeding or other claim (or threatened Legal Proceeding or other claim) against any Acquired Corporation, other than any settlement, release, waiver or compromise that (A) results solely in monetary obligations involving only the payment of monies by the Acquired Corporations of not more than \$250,000 (individually) or \$1,000,000 (in the aggregate) (excluding monetary obligations that are funded by an indemnity obligation to, or an insurance policy of, any Acquired Corporation) or (B) results in no monetary or other material non-monetary obligation of any Acquired Corporation (excluding confidentiality, non-disparagement, and customary administrative provisions); *provided* that the settlement, release, waiver or compromise of any Legal Proceeding or claim brought by the stockholders of the Company against the Company or its directors relating to the Transactions or a breach of this Agreement or any other agreements contemplated hereby shall be subject to Section 1.5 or 6.7;

(xiv) enter into, amend or terminate any Collective Bargaining Agreement;

(xv) adopt or implement any stockholder rights plan or similar arrangement;

(xvi) adopt a plan or agreement of complete or partial liquidation or dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of any of the Acquired Corporations; or

(xvii) authorize any of, or agree or commit to take, any of the actions described in the foregoing clauses (i) through (xvi) of this Section 5.2(b).

Notwithstanding the foregoing, nothing contained herein shall give to Parent or Merger Sub, directly or indirectly, rights to control or direct the operations of the Acquired Corporations prior to the Effective Time. Prior to the Effective Time, each of Parent and the Company shall exercise, consistent with the terms and conditions hereof, complete control and supervision of its and its, if applicable, Subsidiaries' respective operations.

5.3 Stockholder Meeting; Proxy Statement.

(a) The Company shall establish a record date for, duly call, give notice of, convene and hold a meeting of its stockholders (the “Stockholder Meeting”) as promptly as reasonably practicable after the earliest to occur of (i) the date on which the SEC confirms that it has no further comments on the Proxy Statement, (ii) the receipt of confirmation from the SEC that it will not be reviewing the Proxy Statement or (iii) if the SEC has failed to affirmatively notify the Company within 10 calendar days after the initial filing of the Proxy Statement with the SEC, the 11th day after such filing, for the purpose of (A) voting on the matters requiring Company Stockholder Approval; and (B) in accordance with Section 14A of the Exchange Act and the applicable SEC rules issued thereunder, seeking advisory approval of a proposal to the Company’s stockholders for a non-binding, advisory vote to approve certain compensation that may become payable to the Company’s executive officers in connection with the completion of the Merger. Notwithstanding the foregoing, the Company may postpone or adjourn to a later date the Stockholder Meeting (i) with the written consent of Parent, not to be unreasonably withheld or delayed, (ii) after consultation with Parent, to the extent necessary to ensure that any required supplement or amendment to the Proxy Statement is provided to the Company’s stockholders as required by applicable Legal Requirements in advance of the Stockholder Meeting, (iii) for the absence of a quorum necessary to conduct the business of the Stockholder Meeting, (iv) to allow reasonable additional time to solicit additional proxies if the Company has not received proxies representing a sufficient number of votes to adopt this Agreement, whether or not a quorum is present or (v) if required by applicable Legal Requirements, *provided* that in no event shall the Stockholder Meeting be postponed or adjourned beyond the date that is six Business Days prior to the End Date without the prior written consent of Parent. The Board of Directors shall make the Company Board Recommendation and use its commercially reasonable efforts to obtain the Company Stockholder Approval, and the Company shall otherwise comply with all Legal Requirements applicable to the Stockholder Meeting. Unless this Agreement is terminated in accordance with Section 8.1, the Company agrees that it shall not submit to the vote of the stockholders of the Company any Acquisition Proposal (whether or not a Superior Offer) prior to the vote of the Company’s stockholders with respect to the Merger at the Stockholder Meeting. The notice of such Stockholder Meeting shall state that a resolution to approve and adopt this Agreement and the Merger will be considered at the Stockholder Meeting, and no other matters shall be considered or voted upon at the Stockholder Meeting without Parent’s prior written consent (other than (i) a non-binding, advisory vote to approve or disapprove certain compensation that may become payable to the Company’s named executive officers in connection with the completion of the Merger and (ii) whether to adjourn the Stockholder Meeting in accordance with this Section 5.3(a)).

(b) Except to the extent expressly permitted by Section 6.1 (i) the Board of Directors (as it may be constituted on the date hereof) shall unanimously recommend that the Company’s stockholders vote in favor of the adoption and approval of this Agreement and approval of the Merger at the Stockholder Meeting and (ii) the Proxy Statement shall include the Company Board Recommendation.

(c) As promptly as practicable after the date hereof, the Company shall prepare and file with the SEC the Proxy Statement in preliminary form (but in no event later than 15 Business Days after the date of this Agreement). As soon as practicable thereafter (but in no event later than seven Business Days after the clearance of the Proxy Statement by the SEC or after receipt of confirmation from the SEC that it will not be reviewing the Proxy Statement), the Company shall file the definitive Proxy Statement and use its commercially reasonable efforts to mail to its stockholders the Proxy Statement and all other proxy materials for the Stockholder Meeting. If necessary in order to comply with applicable securities laws, after the Proxy Statement shall have been so mailed, the Company shall promptly circulate amended, supplemental or supplemented proxy material, and, if required in connection therewith, re-solicit

proxies. The Company and Parent, as the case may be, shall furnish all information concerning the Company or Parent as the other Party may reasonably request in connection with the preparation and filing with the SEC of the Proxy Statement. Parent and its legal counsel shall be given a reasonable opportunity to review and comment on the Proxy Statement before such document (or any amendment or supplement thereto) is filed with the SEC, and the Company shall consider in good faith any comments reasonably proposed by Parent and its legal counsel. The Company shall, as promptly as practicable after receipt thereof, provide Parent and its legal counsel with copies of any written comments, and advise Parent and its legal counsel of any oral comments, with respect to the Proxy Statement (or any amendment or supplement thereto) received from the SEC or its staff, provide Parent and its legal counsel a reasonable opportunity to review the Company's proposed response to such comments, and consider in good faith any comments reasonably proposed by Parent and its legal counsel.

5.4 No Solicitation.

(a) For the purposes of this Agreement, "Acceptable Confidentiality Agreement" means any customary confidentiality agreement that (i) contains provisions that are not materially less favorable to the Company than those contained in the Confidentiality Agreement (it being understood that such agreement need not contain any "standstill" or similar provisions or otherwise prohibit the making of any Acquisition Proposal) and (ii) does not prohibit the Company from providing any information to Parent in accordance with, and otherwise complying with, this Section 5.4.

(b) Except as permitted by this Section 5.4, during the Pre-Closing Period the Acquired Corporations shall not, and shall use commercially reasonable efforts to cause their Representatives not to, directly or indirectly (i) continue any solicitation, knowing encouragement, discussions or negotiations with any Persons that may be ongoing as of the date of this Agreement with respect to an Acquisition Proposal; (ii) (A) solicit, initiate or knowingly facilitate or encourage (including by way of furnishing non-public information) any inquiries regarding, or the making of any proposal or offer that constitutes, or could reasonably be expected to lead to, an Acquisition Proposal, (B) engage in, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any other Person any non-public information in connection with, or for the purpose of soliciting or knowingly encouraging or facilitating, an Acquisition Proposal or any proposal or offer that could reasonably be expected to lead to an Acquisition Proposal (other than to state that the terms of this provision prohibit such discussion) or (C) enter into any letter of intent, acquisition agreement, agreement in principle or similar agreement with respect to an Acquisition Proposal or any proposal or offer that could reasonably be expected to lead to an Acquisition Proposal (other than an Acceptable Confidentiality Agreement); or (iii) waive or release any Person from, forebear in the enforcement of, or amend any standstill agreement or any standstill provisions of any other Contract, unless, solely in the case of this clause (iii), the Board of Directors determines in good faith, after consultation with the Company's outside legal counsel, that the failure to do so would be inconsistent with the fiduciary duties of the Board of Directors to the Company's stockholders under applicable Legal Requirements. In furtherance of the foregoing, promptly following the execution and delivery of this Agreement, the Company shall (1) request that each Person and its representatives (other than Parent and its representatives) that has, prior to the execution and delivery of this Agreement, executed a confidentiality agreement or otherwise received non-public information about the Company or its Subsidiaries from, or on behalf of, the Company, in each case in connection with such Person's consideration of an Acquisition Proposal, promptly return or destroy all non-public information furnished to such Person by or on behalf of the Company or any of its Subsidiaries prior to the date of this Agreement and (2) promptly terminate all physical and electronic data room access for such Persons and their representatives to diligence or other non-public information regarding the Company or any of its Subsidiaries.

(c) Notwithstanding anything to the contrary contained in this Agreement, if at any time on or after the date of this Agreement and prior to the Company Stockholder Approval, any Acquired Corporation or any of their Representatives receives a bona fide Acquisition Proposal from any Person or group of Persons, which Acquisition Proposal was made or renewed on or after the date of this Agreement, (i) the Company and its Representatives may contact such Person or group of Persons solely to clarify the terms and conditions thereof or inform such Person or group of Persons of the existence of the provisions of this Section 5.4 and (ii) if the Board of Directors determines in good faith, after consultation with financial advisors and outside legal counsel, that such Acquisition Proposal constitutes or could reasonably be expected to lead to a Superior Offer, then the Company and its Representatives may (A) furnish, pursuant to an Acceptable Confidentiality Agreement, information (including non-public information) with respect to the Acquired Corporations to the Person or group of Persons who has made such Acquisition Proposal; *provided* that the Company shall as promptly as practicable (and no later than one Business Day) provide to Parent any material non-public information concerning the Acquired Corporations that is provided to any Person to the extent access to such information was not previously provided to Parent or its Representatives and (B) engage in or otherwise participate in discussions or negotiations with the Person or group of Persons making such Acquisition Proposal.

(d) During the Pre-Closing Period, the Company shall (i) promptly (and in any event within one Business Day) notify Parent if any inquiries, proposals or offers with respect to an Acquisition Proposal are received by any Acquired Corporation and provide to Parent a copy of any written Acquisition Proposal (including any proposed term sheet, letter of intent, acquisition agreement or similar agreement with respect thereto) and a summary of any material unwritten terms and conditions thereof, and (ii) keep Parent reasonably informed of any material developments, discussions or negotiations regarding any Acquisition Proposal on a prompt basis (and in any event within one Business Day of such material development, discussion or negotiation).

(e) Nothing in this Section 5.4 or elsewhere in this Agreement shall prohibit the Company from (i) taking and disclosing to the stockholders of the Company a position contemplated by Rule 14e-2(a), Rule 14d-9 or Item 1012(a) of Regulation M-A promulgated under the Exchange Act, including any “stop, look and listen” communication pursuant to Rule 14d-9(f) promulgated under the Exchange Act, or (ii) making any disclosure to the stockholders of the Company that is required by applicable Legal Requirements.

(f) The Company agrees that in the event any Acquired Corporation or any Representative of an Acquired Corporation (acting in its capacity as such on behalf of the Acquired Corporation) takes any action that, if taken by the Company, would constitute a breach of this Section 5.4, the Company shall be deemed to be in breach of this Section 5.4.

SECTION 6

ADDITIONAL COVENANTS OF THE PARTIES

6.1 Company Board Recommendation.

(a) Subject to Section 6.1(b), during the Pre-Closing Period, neither the Board of Directors nor any committee thereof shall (i)(A) withdraw (or modify in a manner adverse to Parent or Merger Sub), or publicly propose to withdraw (or modify in a manner adverse to Parent or Merger Sub), the Company Board Recommendation or (B) adopt, approve, recommend or declare advisable, or publicly propose to adopt, approve, recommend or declare advisable, any Acquisition Proposal, (ii) adopt, approve, recommend or declare advisable, or propose to

approve, recommend or declare advisable, or allow the Company to execute or enter into any Contract with respect to any Acquisition Proposal (other than an Acceptable Confidentiality Agreement), or (iii) fail to recommend against acceptance of any tender offer or exchange offer for the Company Common Stock within 10 Business Days after Parent so requests in writing (which request may be made once per applicable Acquisition Proposal, provided that Parent shall be entitled to make a new request each time there is a publicly disclosed material change in such applicable Acquisition Proposal) (any action described in the foregoing clauses (i) through (iii), a “Company Adverse Recommendation Change”); *provided* that, for the avoidance of doubt, any determination or action by the Board of Directors or any committee thereof to the extent expressly permitted by Section 5.4 or this Section 6.1 shall not be, and shall not be deemed to be, in and of itself a breach or violation of this Section 6.1 and shall not, unless a Company Adverse Recommendation Change has occurred, give Parent a right to terminate this Agreement pursuant to Section 8.1(d).

(b) Notwithstanding anything to the contrary contained in this Agreement, at any time prior to the Company Stockholder Approval:

(i) if any Acquired Corporation has received a bona fide written Acquisition Proposal from any Person that has not been withdrawn and after consultation with outside legal counsel and financial advisors, the Board of Directors shall have determined, in good faith, that such Acquisition Proposal constitutes a Superior Offer, (x) the Board of Directors may make a Company Adverse Recommendation Change, or (y) the Company may terminate this Agreement pursuant to Section 8.1(e) to enter into a Specified Agreement with respect to such Superior Offer, in each case, if and only if: (A) the Board of Directors determines in good faith, after consultation with the Company’s outside legal counsel and financial advisors, that the failure to do so would be inconsistent with the fiduciary duties of the Board of Directors under applicable Legal Requirements; (B) the Company shall have given Parent prior written notice of its intention to consider making a Company Adverse Recommendation Change or terminating this Agreement pursuant to Section 8.1(e) at least four Business Days prior to making any such Company Adverse Recommendation Change or termination (a “Determination Notice”) (which notice shall not constitute a Company Adverse Recommendation Change or termination) and, if requested in writing by Parent, during such four Business Day period shall have negotiated in good faith with respect to any revisions to the terms of this Agreement or another proposal to the extent proposed by Parent so that such Acquisition Proposal would cease to constitute a Superior Offer; and (C) (1) the Company shall have provided to Parent information with respect to such Acquisition Proposal in accordance with Section 5.4(d), (2) the Company shall have given Parent the four Business Day period after the Determination Notice to propose revisions to the terms of this Agreement or make another proposal so that such Acquisition Proposal would cease to constitute a Superior Offer, and (3) after considering in good faith any proposals made by Parent during such period, if any, after consultation with outside legal counsel and financial advisors, the Board of Directors shall have determined, in good faith, that such Acquisition Proposal constitutes a Superior Offer and that the failure to make the Company Adverse Recommendation Change or terminate this Agreement pursuant to Section 8.1(e) would be inconsistent with the fiduciary duties of the Board of Directors under applicable Legal Requirements. Issuance of any “stop, look and listen” communication by or on behalf of the Company pursuant to Rule 14d-9(f) promulgated under the Exchange Act shall not be considered a Company Adverse Recommendation Change and shall not require the giving of a Determination Notice or compliance with the procedures set forth in this Section 6.1. Nothing contained in this Agreement shall prohibit the Board of Directors from taking and disclosing a position or otherwise making any disclosure as is required under Rule 14e-2(a), Rule 14d-9 or Item 1012(a) of Regulation M-A promulgated under the Exchange Act or otherwise complying with applicable Legal Requirements if the Board of Directors determines in good faith, after consultation with the Company’s outside legal counsel and financial advisors, that the failure to do so would be inconsistent with the fiduciary duties of the Board of Directors under applicable

Legal Requirements. The provisions of this Section 6.1(b)(i) shall also apply to any material amendment to any Acquisition Proposal and require a new Determination Notice; *provided* that for such subsequent Determination Notice, the required four (4) Business Days shall be deemed to be two Business Days; and

(ii) other than in connection with an Acquisition Proposal, the Board of Directors may make a Company Adverse Recommendation Change in response to an Intervening Event if: (A) the Board of Directors determines in good faith, after consultation with the Company's outside legal counsel and financial advisors, that the failure to do so would be inconsistent with the fiduciary duties of the Board of Directors under applicable Legal Requirements; (B) the Company shall have given Parent a Determination Notice at least four Business Days prior to making any such Company Adverse Recommendation Change and, if requested in writing by Parent, during such four Business Day period shall have negotiated in good faith with respect to any revisions to the terms of this Agreement or another proposal to the extent proposed by Parent so that a Company Adverse Recommendation Change would no longer be necessary; and (C) (1) the Company shall have specified in reasonable detail the facts and circumstances that render a Company Adverse Recommendation Change necessary, (2) the Company shall have given Parent the four Business Day period after the Determination Notice to propose revisions to the terms of this Agreement or make another proposal so that a Company Adverse Recommendation Change would no longer be necessary, and (3) after considering in good faith the proposals made by Parent during such period, if any, after consultation with outside legal counsel and financial advisors, the Board of Directors shall have determined, in good faith, that the failure to make the Company Adverse Recommendation Change would be inconsistent with the fiduciary duties of the Board of Directors under applicable Legal Requirements.

6.2 Filings, Consents and Approvals.

(a) The Parties agree to cooperate with each other and use their reasonable best efforts to take or cause to be taken promptly any and all steps necessary to avoid or eliminate each and every impediment under the Antitrust Laws, that may be asserted by any Governmental Body or any other party, so as to enable the Closing to occur as promptly as practicable, but in no case later than the End Date, including providing as promptly as reasonably practicable all information required by any Governmental Body pursuant to its evaluation of the Transactions under the HSR Act or other applicable Antitrust Laws (including any Request for Additional Information and Documentary Material pursuant to the HSR Act); *provided, however,* that notwithstanding anything to the contrary contained in this Agreement, under no circumstances shall Parent or any of its Affiliates be required to (i) divest or agree to divest any assets or businesses of Parent or its Affiliates or the Company or its Subsidiaries, (ii) hold separate or agree to hold separate any assets or businesses of Parent or its Affiliates or the Company or its Subsidiaries pending such divestiture, (iii) agree to any limitations with respect to how it owns, retains, conducts or operates all or any portion of any assets or businesses of Parent or its Affiliates or the Company or its Subsidiaries, or that would impair or restrict its ability to acquire such assets or businesses, (iv) grant or agree to grant any right or commercial or other accommodation to, or enter into any material commercial contractual or other commercial relationship with, any third party or (v) agree or consent to any other remedy, in each case, to obtain any required approval or to forestall or prevent any action by any Governmental Body (each of clauses (i)-(v) an "Antitrust Restraint"). Neither the Company nor any of its Affiliates shall permit, take or agree to permit or take any Antitrust Restraint without the prior written approval of, and direction by, Parent.

(b) Subject to the terms and conditions of this Agreement, each of the Parties shall (and shall cause their respective Affiliates, if applicable, to): (i) promptly, but in no event later than 10 Business Days after the date of this Agreement, unless otherwise mutually agreed to

by the Parties, make an appropriate filing of all notification and report forms as required by the HSR Act with respect to the Transactions and (ii) cooperate with each other in determining whether (and preparing and making as promptly as practicable) any other filings, notifications or other consents are required to be made with, or obtained from, any other Governmental Bodies in connection with the Transactions. Parent shall pay all filing fees for the filings required to be made by the Company and Parent under the HSR Act and for any other filings or notifications required to be made with, or obtained from, any other Governmental Bodies in connection with the Transactions.

(c) Without limiting the generality of anything contained in this Section 6.2, during the Pre-Closing Period, each Party shall (i) give the other Parties prompt notice of the making or commencement of any request, inquiry, investigation, action or Legal Proceeding brought by a Governmental Body or brought by a third party before any Governmental Body, in each case, with respect to the Transactions under the Antitrust Laws, (ii) keep the other Parties reasonably informed as to the status of any such request, inquiry, investigation, action or Legal Proceeding, (iii) promptly inform the other Parties of, and give the other Parties reasonable advance notice of, and the opportunity to participate in, any communication to or from the FTC, DOJ, or any other Governmental Body in connection with any such request, inquiry, investigation, action or Legal Proceeding, (iv) promptly furnish to the other Parties, subject to an appropriate confidentiality agreement to limit disclosure to legal counsel and outside consultants, with copies of documents provided to or received from any Governmental Body in connection with any such request, inquiry, investigation, action or Legal Proceeding (other than highly sensitive or valuation information (which can be redacted)), (v) subject to an appropriate confidentiality agreement to limit disclosure to legal counsel and outside consultants, consult and cooperate with the other Parties and consider in good faith the views of the other Parties in connection with any analysis, appearance, presentation, memorandum, brief, argument, opinion or proposal made or submitted in connection with any such request, inquiry, investigation, action or Legal Proceeding, and (vi) except as may be prohibited by any Governmental Body or by any Legal Requirement, in connection with any such request, inquiry, investigation, action or Legal Proceeding in respect of the Transactions, permit authorized Representatives of the other Parties to be present at and participate in each meeting or conference relating to such request, inquiry, investigation, action or Legal Proceeding and to have access to and be consulted in connection with any argument, opinion or proposal made or submitted to any Governmental Body in connection with such request, inquiry, investigation, action or Legal Proceeding. Subject to compliance with its obligations in this Section 6.2, Parent shall, after good faith consultation with the Company and after considering, in good faith, the Company's views and comments, control and lead all communications, negotiations, timing, decisions, and strategy on behalf of the Parties relating to regulatory approvals under the Antitrust Laws.

6.3 Employee Matters.

(a) During the period commencing on the Closing Date and ending on the first anniversary of the Closing Date, Parent shall, or shall cause one of its Affiliates to, provide each employee of the Company or its Subsidiaries as of immediately prior to the Effective Time and who remains employed by the Company or its Subsidiaries following the Closing Date (each, a "Continuing Employee") with (i) a base salary or wage level and annual cash bonus opportunities that, in each case, are no less favorable than those provided to similarly-situated employees of Parent or its Subsidiaries and (ii) employee benefits that are substantially comparable in the aggregate to the employee benefits (excluding post-employment welfare benefits, defined benefit pension benefits, equity-based compensation and transaction or retention bonuses) provided to similarly situated employees of Parent or its Subsidiaries.

(b) For purposes of vesting, eligibility to participate and for calculating severance and vacation entitlements under the employee benefit plans of Parent and its Affiliates

(each, a “New Plan”), each Continuing Employee shall be credited with his or her years of service with the Acquired Corporations and their respective predecessors before the Effective Time, to the same extent as such employee was entitled before the Effective Time, to credit for such service under any similar Employee Plan in which such employee participated or was eligible to participate immediately prior to the Effective Time; *provided* that the foregoing shall not apply to the extent that its application would result in a duplication of benefits; provided, further that the foregoing shall not apply for purposes of benefit accrual under any defined benefit pension plan or for purposes under any retiree welfare arrangement or long-term incentive arrangement. In addition and without limiting the generality of the foregoing, for purposes of each New Plan providing medical, dental, pharmaceutical or vision benefits to any Continuing Employee, Parent shall, and shall cause its Affiliates to, use commercially reasonable efforts to cause all eligibility waiting periods, pre-existing condition exclusions and actively-at-work requirements of such New Plan to be waived for such employee and his or her covered dependents, unless such conditions would not have been waived under a comparable Employee Plan in which such employee participated immediately prior to the Effective Time (the “Old Plan”), and Parent shall, and shall cause its Affiliates to, use commercially reasonable efforts to cause any eligible expenses incurred by such employee and his or her covered dependents during the portion of the plan year of the Old Plans ending on the date such employee’s participation in the corresponding New Plan begins to be taken into account under such New Plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with such New Plan.

(c) The Board of Directors (or the appropriate committee thereof) shall adopt resolutions and take such corporate action as is necessary or appropriate to terminate the Company’s nonqualified deferred compensation plan, effective as of the day prior to the Closing Date, contingent upon the occurrence of the Closing, unless Parent notifies the Company in writing not less than ten Business Days before the Effective Time that it has determined not to terminate the Company’s nonqualified deferred compensation plan. All resolutions adopted or executed in connection with the termination of the Company’s nonqualified deferred compensation plan shall be subject to Parent’s prior review, which review shall not unreasonably be delayed.

(d) The Company shall, and after the Effective Time, Parent shall cause the Company to take the actions set forth in Section 6.3(d) of the Company Disclosure Schedule.

(e) No provision of this Agreement: (i) shall be deemed to guarantee or create any right to employment or engagement or continued employment or engagement for any period of time, or preclude the ability of the Company, Parent or any of their respective Affiliates, to terminate any Continuing Employee for any reason, (ii) shall be deemed or construed to amend, establish, or modify any benefit or compensation plan, program, agreement, contract, policy or arrangement, or (iii) create any third party beneficiary rights or obligations in any person (including any current or former service provider or employee of Company, Parent or any of its Affiliates (or any beneficiaries or dependents thereof)).

6.4 Company 401(k). The Board of Directors (or the appropriate committee thereof) shall adopt resolutions and take such corporate action as is necessary or appropriate to terminate the Company 401(k) Savings Plan (the “Company 401(k) Plan”), effective as of the day prior to the Closing Date, contingent upon the occurrence of the Closing, unless Parent notifies the Company in writing not less than ten Business Days before the Effective Time that it has determined not to terminate the Company 401(k) Plan. If the Company 401(k) Plan is terminated, as provided herein, Parent shall, or shall cause one of its Affiliates to, have in effect a tax qualified defined contribution retirement plan as of the Effective Time that includes a qualified cash or deferred arrangement within the meaning of Section 401(k) of the Code (the

“Parent 401(k) Plan”) in which each regular Continuing Employee who is actively employed at the Closing and is not considered a temporary or contract employee shall receive credit under Parent’s U.S. defined contribution retirement plans for prior service as regular employee with the Company starting on the most recent hire date. Such service credit shall be applied to any applicable waiting periods or vesting provisions of Parent’s U.S. defined contribution retirement plans. As soon as practicable following the Closing, the account balances under the Company 401(k) Plan shall be distributed to the participants, and Parent shall permit such Continuing Employees to make rollover contributions to the Parent 401(k) Plan of “eligible rollover distributions” within the meaning of Section 401(a)(31) of the Code (excluding promissory notes evidencing participant loans) in the form of cash, in an amount equal to the full account balance distributed to such Continuing Employee from the Company 401(k) Plan. All resolutions adopted or executed in connection with the termination of the Company 401(k) Plan shall be subject to Parent’s prior review, which review will not unreasonably be delayed.

6.5 ESPP. The Company shall take all actions necessary pursuant to the terms of the Company ESPP or otherwise to (A) provide that (1) no new Offering Period (as defined in the Company ESPP) will be commenced following the date of this Agreement under the Company ESPP, (2) there will be no increase in the amount of participants’ payroll deduction elections under the Company ESPP or any contributions other than previously elected payroll deductions during the current Offering Period from those in effect as of the date of this Agreement, (3) no individuals shall commence participation in the Company ESPP during the period from the date of this Agreement through the Effective Time and (4) each purchase right issued pursuant to the Company ESPP shall be fully exercised on the earlier of (x) the scheduled purchase date for such Offering Period and (y) the date that is seven Business Days prior to the Effective Time (with any participant payroll deductions not applied to the purchase of Shares returned to the participant), and (B) terminate the Company ESPP effective immediately prior to the Effective Time.

6.6 Indemnification of Officers and Directors.

(a) From and after the Effective Time, Parent agrees that all rights to indemnification, advancement of expenses and exculpation from liabilities for acts or omissions occurring at or prior to the Effective Time (whether asserted or claimed prior to, at or after the Effective Time) now existing in favor of the current or former directors, officers or employees of any Acquired Corporation and any indemnification or other similar agreements of any Acquired Corporation, in each case as in effect on the date of this Agreement, shall continue in full force and effect in accordance with their terms and shall not be amended, repealed or otherwise modified in any manner that would adversely affect the rights thereunder of any Indemnified Person (as defined below), and Parent shall cause the Acquired Corporations to perform their obligations thereunder. Without limiting the foregoing, from and after the Effective Time, Parent shall cause the Surviving Corporation and its Subsidiaries to indemnify and hold harmless each individual who is as of the date of this Agreement, or who becomes prior to the Effective Time, a director or officer of any Acquired Corporation or who is as of the date of this Agreement, or who thereafter commences prior to the Effective Time, serving at the request of any Acquired Corporation as a director or officer of another Person (the “Indemnified Persons”), against all claims, losses, liabilities, damages, judgments, inquiries, fines and reasonable fees, costs and expenses, including attorneys’ fees and disbursements, incurred in connection with any claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (including with respect to matters existing or occurring at or prior to the Effective Time, including this Agreement and the transactions and actions contemplated hereby), arising out of or pertaining to the fact that the Indemnified Person is or was a director or officer of any Acquired Corporation or is or was serving at the request of any Acquired Corporation as a director or officer of another Person, whether asserted or claimed prior to, at or after the Effective Time, to the fullest extent permitted under applicable Legal Requirements. In the event of any such claim, action, suit or

proceeding, (x) each Indemnified Person will be entitled to advancement of expenses incurred in the defense of any such claim, action, suit or proceeding from the Surviving Corporation or its Subsidiaries, as applicable, in accordance with the organizational documents and any indemnification or other similar agreements of the Surviving Corporation or its Subsidiaries, as applicable, as in effect on the date of this Agreement; *provided* that any Indemnified Person to whom expenses are advanced provides an undertaking, if required by the DGCL or the Surviving Corporation's or any of its Subsidiaries' certificate of incorporation or bylaws (or comparable organizational documents) or any such indemnification or other similar agreements, as applicable, to repay such advances if it is ultimately determined by final adjudication that such Indemnified Person is not entitled to indemnification and (y) the Surviving Corporation and its Subsidiaries, as applicable, shall reasonably cooperate in the defense of any such matter.

(b) Prior to the Closing Date, in consultation with Parent, the Company shall use commercially reasonable efforts to purchase (and if the Company does not purchase prior to the Closing Date, the Surviving Corporation may purchase on the Closing Date, in lieu of complying with the final sentence of this Section 6.6(b)), "tail" directors' and officers' liability insurance for the Acquired Corporations and their current and former directors, officers and employees who are covered by the directors' and officers' liability insurance coverage currently maintained by or for the benefit of the Acquired Corporations (the "Current D&O Insurance"), such "tail" insurance to provide coverage in an amount not less than the existing coverage and to have other terms not less favorable to the insureds thereunder with respect to claims arising from facts or events that occurred at or before the Effective Time; *provided* that in no event shall the total cost of any such "tail" insurance exceed 300% of the aggregate annual premium most recently paid by the Acquired Corporations for the Current D&O Insurance (the "Maximum Amount"). Parent and the Surviving Corporation shall maintain such "tail" insurance in full force and effect for a period of six years following the Closing Date, and continue to honor the obligations thereunder. In the event that as of the Closing Date the "tail" directors' and officers' liability insurance under the first sentence of this Section 6.6(b) has not been purchased, for a period of six years from and after the Effective Time, the Surviving Corporation shall, and Parent shall cause the Surviving Corporation to, either cause to be maintained in effect the Current D&O Insurance or provide substitute insurance for the Acquired Corporations and their current and former directors and officers who are covered by the Current D&O Insurance, in either case, of not less than the existing coverage and having other terms not less favorable to the insured persons than the Current D&O Insurance with respect to claims arising from facts or events that occurred at or before the Effective Time, except that in no event shall the Surviving Corporation be required to pay with respect to any annual period for such insurance more than the Maximum Amount, and if the Surviving Corporation is unable to obtain the insurance required by this Section 6.6(b) it shall obtain as much comparable insurance as possible for the years within such six-year period for a premium equal to the Maximum Amount.

(c) In the event that any Acquired Corporation or any of its 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, then in each such case, the Acquired Corporation, as applicable, shall cause proper provision to be made so that the successors and assigns of such Acquired Corporation assume the obligations set forth in this Section 6.6.

(d) The provisions of this Section 6.6 (i) shall survive the consummation of the Merger and (ii) are intended to be for the benefit of, and will be enforceable by, each indemnified or insured party (including the Indemnified Persons), his or her heirs, successors, assigns and representatives, and (iii) are in addition to, and not in substitution for, any other rights to indemnification, advancement of expenses, exculpation or contribution that any such Person may have by contract or otherwise. Unless required by applicable Legal Requirement, this Section 6.6 may not be amended, altered or repealed after the Effective Time in such a

manner as to adversely affect the rights of any Indemnified Person or any of their successors, assigns or heirs without the prior written consent of the affected Indemnified Person.

6.7 Stockholder Litigation. The Company shall promptly notify Parent in writing of any Stockholder Litigation and shall keep Parent informed on a reasonably prompt basis regarding any such Stockholder Litigation. The Company shall give Parent the opportunity to (a) participate in (but not control) the defense, prosecution, settlement or compromise of any Stockholder Litigation, and (b) consult with legal counsel to the Company regarding the defense, prosecution, settlement or compromise with respect to any such Stockholder Litigation. For purposes of this Section 6.7, "participate" means that Parent will be kept reasonably apprised of proposed strategy and other significant decisions with respect to the Stockholder Litigation (to the extent that the attorney-client privilege between the Company and its legal counsel is not undermined or otherwise adversely affected), and Parent may offer comments or suggestions with respect to such Stockholder Litigation which the Company shall consider in good faith; *provided* that the Company shall not settle or compromise or agree to settle or compromise any Stockholder Litigation without Parent's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed). Notwithstanding the foregoing, this Section 6.7 shall not apply to any Legal Proceeding which arises from, or relates to, the matters set forth in Section 6.2 (which in each case shall be governed by Section 6.2).

6.8 Additional Agreements. Subject to the terms and conditions of this Agreement, including Section 6.2(a), Parent and the Company shall use commercially reasonable efforts to take, or cause to be taken, all actions necessary to consummate the Merger and make effective the other Transactions. Without limiting the generality of the foregoing, subject to the terms and conditions of this Agreement, each Party to this Agreement shall use commercially reasonable efforts to (i) make all filings (if any) and give all notices (if any) required to be made and given by such Party pursuant to any Material Contract in connection with the Merger and the other Transactions to the extent requested in writing by Parent, (ii) seek each Consent (if any) required to be obtained pursuant to any Material Contract by such Party in connection with the Transactions to the extent requested in writing by Parent; *provided, however*, that (x) each of the Parties acknowledges and agrees that obtaining any such Consent shall not, in and of itself, be a condition to the Merger and (y) in connection with obtaining any such Consent, the Parties shall have no obligation to pay any consent or other similar fee, payment or consideration, make any other concession or provide any additional security (including a guaranty) or to agree to any changes to any of the terms of such Material Contract and (iii) subject to the same limitations as included in the proviso to Section 6.2(a), seek to lift any restraint, injunction or other legal bar to the Merger brought by any third party against such Party.

6.9 Disclosure. The initial press releases relating to this Agreement shall be reasonably mutually agreed between the Company and Parent. Thereafter, the Company and Parent shall consult with and obtain the consent of the other Party before issuing any further press release(s) or otherwise making any public statement (to the extent not previously issued or made in accordance with this Agreement) with respect to the Merger, this Agreement or any of the other Transactions and consider in good faith any comments reasonably proposed by the other Party or its Representatives; *provided*, that neither Party shall issue any such press release or public statement without the other Party's written consent (such consent not to be unreasonably withheld, conditioned or delayed). Notwithstanding the foregoing, the Parties shall not be required by this Section 6.9 to provide any other Party with such consultation or consent right relating to (i) any public statements (including in response to questions from the press, analysts, investors or those attending industry conferences, make internal announcements to employees and make disclosures in Company SEC Documents) so long as such statements are consistent with previous press releases, public disclosures or public statements (as applicable) made by Parent or the Company in compliance with this Section 6.9; and (ii) any public statements relating to any dispute between the Parties relating to this Agreement. In addition,

notwithstanding the foregoing, (i) the Company may, without the prior consent of Parent but subject to giving advance notice to Parent, issue any such press release or make any such public announcement or statement as may be required by any applicable Legal Requirement; and (ii) the Company need not consult with Parent in connection with such portion of any press release, public statement or filing to be issued or made (x) pursuant to Section 5.4(e), (y) with respect to any Acquisition Proposal or Company Adverse Recommendation Change or (z) after any Company Adverse Recommendation Change.

6.10 Takeover Laws. If any Takeover Law may become, or may purport to be, applicable to the Transactions, each of Parent and the Company and the members of their respective boards of directors shall use their respective commercially reasonable efforts to grant such approvals and take such actions as are reasonably necessary so that the Transactions may be consummated as promptly as practicable on the terms and conditions contemplated hereby and otherwise act to lawfully eliminate the effect of any Takeover Law on any of the Transactions.

6.11 Section 16 Matters. The Company, and the Board of Directors, shall, to the extent necessary, take appropriate action, prior to or as of the Effective Time, to approve, for purposes of Section 16(b) of the Exchange Act, the disposition and cancellation or deemed disposition and cancellation of Shares, Company RSUs, Company Restricted Stock, Company SARs and Company Options resulting from the Transactions by applicable individuals and to cause such dispositions or cancellations to be exempt under Rule 16b-3 promulgated under the Exchange Act.

6.12 Stock Exchange Delisting; Deregistration. Prior to the Closing Date, each of the Parties shall cooperate with the other Parties and use its commercially reasonable efforts to take, or cause to be taken, all actions, and do or cause to be done all things, reasonably necessary, proper or advisable on its part under applicable Legal Requirements and rules and policies of Nasdaq to enable the delisting by the Surviving Corporation of the Shares from Nasdaq and the deregistration of the Shares under the Exchange Act as promptly as practicable after the Effective Time.

6.13 Convertible Notes. Within the time periods required by the terms of the Convertible Notes Indenture, the Company shall take all actions required by, or reasonably requested by Parent pursuant to, the Convertible Notes Indenture or applicable Legal Requirements to be performed by the Company at or prior to the Effective Time as a result of the execution and delivery of this Agreement or the consummation of the Transactions, including the giving of any notices that may be required or reasonably requested by Parent and delivery to the trustee, noteholders or other applicable Persons, as applicable, of any documents or instruments required or reasonably requested by Parent to be delivered at or prior to the Effective Time to such trustee, noteholders or other applicable Persons, including any supplemental indenture, certificate or legal opinion, in each case in connection with the execution and delivery of this Agreement, the Transactions or as otherwise required by the Convertible Notes Indenture. The Company shall provide Parent and its legal counsel with reasonable opportunity to review and comment on any such notices, documents or instruments, and the Company shall take into account any comments reasonably proposed by Parent in such notices, documents or instruments prior to delivery thereof. The Company shall use commercially reasonable efforts to consult with Parent prior to making any election with respect to any settlement method in connection with any conversions of any Convertible Notes and shall not irrevocably elect any settlement method that would be applicable to any conversions of any Convertible Notes occurring after the Effective Time without Parent's prior written consent.

6.14 Capped Calls. The Company shall comply with all of its obligations in connection with the Capped Call Transactions. The Company shall not, without Parent's prior written consent, agree to any amendments or determinations (including adjustments) in

connection with the Capped Call Transactions, and shall promptly provide notice to Parent of any written communications or material oral communications from any counterparty to any Capped Call Transactions in connection with any such amendments or determinations. The Company shall, at Parent's request, use its commercially reasonable efforts to cooperate with Parent to enter into arrangements with such counterparties to any Capped Call Transactions so that the Capped Call Transactions are terminated, exercised, settled or cancelled subject to the occurrence of the Effective Time. At Parent's request, the Company shall, and shall cause its Representatives to, cooperate with Parent in connection with any discussions, negotiations or agreements with the counterparties to the Capped Call Transactions with respect to any settlement in connection with the Capped Call Transactions. The Company shall not, and shall cause its Representatives not to, without Parent's prior written consent (i) make any amendments, modifications or other changes to the terms of the Capped Call Documentation or (ii) exercise any right it may have to terminate, or cause the early settlement of, any of the Capped Call Transactions. The Company shall provide Parent and its legal counsel reasonable opportunity to review and comment on any notice or documentation in connection with the Capped Call Transactions prior to delivery to any counterparty, and the Company shall reflect any such comments in such document prior to delivery thereof. Nothing in this Section 6.14 shall require the Company to (A) other than as required under the Capped Call Transaction, pay any fees, incur or reimburse any costs or expenses, or make any payment in connection with any Capped Call Transactions prior to the occurrence of the Effective Time, (B) enter into or effect any settlement, termination, instrument or agreement, or agree to any settlement, termination, or any other change or modification to any instrument or agreement, that is effective prior to the occurrence of the Effective Time, or (C) refrain from delivering, or delay the delivery of, any notice required by the terms of the Capped Call Documentation (it being understood that the Company will provide Parent with prior notice of any such delivery with an opportunity to comment on such notice, and to reflect any such comments which both the Company and Parent acting reasonably agree on in such notice prior to delivery thereof).

6.15 Notification of Certain Events. Subject to applicable Legal Requirements, each of the Company and Parent shall promptly notify the other of (i) any notice or other communication received by such Party from any Governmental Body in connection with this Agreement, the Merger or the other Transactions or (ii) any Legal Proceeding commenced or, to any Party's knowledge, threatened in writing against, such Party or any of its Subsidiaries or otherwise relating to, involving or affecting such Party or any of its Subsidiaries, in each case in connection with, arising from or otherwise relating to the Merger or any other Transaction.

SECTION 7

CONDITIONS PRECEDENT TO THE MERGER

7.1 Condition to the Obligations of Each Party. The obligations of each Party to effect the Merger are subject to the satisfaction as of the Closing of each of the following conditions:

(a) the Company Stockholder Approval shall have been obtained;

(b) there shall be no temporary restraining order, preliminary or permanent injunction or final judgment issued by any Governmental Body of competent jurisdiction in any jurisdiction in which Parent or the Company has material business operations preventing the consummation of the Merger, nor shall any Legal Requirement have been promulgated, enacted, issued or deemed applicable to the Merger by any Governmental Body in any jurisdiction in which Parent or the Company has material business operations which prohibits or makes illegal the consummation of the Merger; and

(c) the waiting period (or any extension thereof) applicable to consummation of the Merger under the HSR Act shall have expired or been terminated.

7.2 Conditions to the Obligations of Parent and Merger Sub. The obligations of each of Parent and Merger Sub to effect the Merger are subject to the satisfaction as of the Closing of each of the following conditions:

(a)

(i) the representations and warranties of the Company set forth in Section 3.3(a) and the first sentence of Section 3.3(c) (Capitalization, Etc.) of the Agreement shall be accurate, except for any *de minimis* inaccuracies, as of the date of the Agreement and at and as of the Effective Time as if made on and as of the Effective Time (except to the extent any such representation or warranty expressly relates to an earlier date or period, in which case as of such date or period);

(ii) the representations and warranties of the Company set forth in Section 3.1 (Due Organization; Subsidiaries, Etc.) (other than the third and fourth sentence of Section 3.1(a)), Section 3.2 (Certificate of Incorporation and Bylaws), Section 3.3(b), (d), (e), (f) and (g) (Capitalization, Etc.), Section 3.3(c) (other than the first sentence thereof), Section 3.20 (Authority; Binding Nature of Agreement), Section 3.22 (Takeover Laws), Section 3.23 (Opinion of Financial Advisors) and Section 3.24 (Brokers and Other Advisors) of the Agreement shall be accurate in all material respects as of the date of the Agreement and at and as of the Effective Time as if made on and as of the Effective Time (except to the extent any such representation or warranty expressly relates to an earlier date or period, in which case as of such date or period);

(iii) the representations and warranties of the Company set forth in the Agreement (other than those referred to in clauses (i) and (ii) above) shall be accurate (disregarding for this purpose all “Material Adverse Effect” and “materiality” qualifications contained in such representations and warranties) as of the date of the Agreement and at and as of the Effective Time as if made on and as of the Effective Time (except to the extent any such representation or warranty expressly relates to an earlier date or period, in which case as of such date or period), except where the failure of such representations and warranties to be so true and correct has not had, and would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(b) the Company shall have complied with or performed in all material respects the covenants and agreements it is required to comply with or perform at or prior to the Effective Time;

(c) since the date of the Agreement, no Material Adverse Effect shall have occurred that is continuing; and

(d) Parent and Merger Sub shall have received a certificate executed on behalf of the Company by an executive officer of the Company confirming that the conditions set forth in Sections 7.2(a) – (c) have been satisfied.

7.3 Conditions to the Obligations of the Company. The obligations of the Company to effect the Merger are subject to the satisfaction as of the Closing of each of the following conditions:

(e) The representations and warranties of Parent and Merger Sub set forth in this Agreement shall be accurate (disregarding for this purpose all “Material Adverse Effect” and “materiality” qualifications contained in such representations and warranties) as of the date of the Agreement and at and as of the Effective Time as if made on and as of the Effective Time (except to the extent any such representation or warranty expressly relates to an earlier date or period, in which case as of such date or period), except where the failure of such representations and warranties to be so true and correct has not had, and would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect;

(f) Parent and Merger Sub shall have complied with or performed in all material respects the covenants and agreements it is required to comply with or perform at or prior to the Effective Time; and

(g) the Company shall have received a certificate executed on behalf of Parent by an executive officer of Parent confirming that the conditions set forth in Sections 7.3(a) and (b) have been satisfied;

SECTION 8

TERMINATION

8.1. Termination. This Agreement may be terminated prior to the Effective Time (notwithstanding any approval of this Agreement by the stockholders of the Company):

(a) by mutual written consent of Parent and the Company;

(b) by either Parent or the Company if the Closing shall not have occurred on or prior to 11:59 p.m. Eastern Time, on the date that is the nine month anniversary of the date of this Agreement (the “End Date”); *provided, however,* that in the case of this Section 8.1(b), (x) if on the End Date all of the conditions set forth in Section 7, other than Section 7.1(b) or 7.1(c) thereof, shall have been satisfied (other than conditions that by their nature are to be satisfied at the Effective Time, each of which is then capable of being satisfied) or waived (to the extent waivable under applicable Legal Requirements), then the End Date shall automatically be extended by a period of three months (and all references to the End Date herein shall be as so extended); and (y) the right to terminate this Agreement pursuant to this Section 8.1(b) shall not be available to any Party whose material breach of this Agreement has caused or resulted in the Merger not being consummated by such date;

(c) by either Parent or the Company if a Governmental Body of competent jurisdiction shall have issued an order, decree or ruling, or shall have taken any other action, having the effect of permanently restraining, enjoining or otherwise prohibiting the consummation of the Merger or making the consummation of the Merger illegal, which order, decree, ruling or other action shall be final and nonappealable; *provided, however,* that the right to terminate this Agreement pursuant to this Section 8.1(c) shall not be available to any Party whose material breach of this Agreement has caused or resulted in the issuance of such final and nonappealable order, decree, ruling or other action or to any Party that has failed to use its reasonable best efforts as required by Section 6.2 to remove such order, decree, ruling or other action;

(d) by Parent, prior to obtaining the Company Stockholder Approval, if the Board of Directors shall have failed to include the Company Board Recommendation in the Proxy Statement when mailed, or shall have effected a Company Adverse Recommendation Change;

(e) by the Company, prior to obtaining the Company Stockholder Approval, in order to accept a Superior Offer and substantially concurrently enter into a binding written definitive acquisition agreement providing for the consummation of a transaction that constitutes a Superior Offer (a “Specified Agreement”); *provided* that no Acquired Corporation shall be in willful breach of Section 6.1(b)(i) in relation to such Superior Offer;

(f) by Parent, if a breach of any representation or warranty contained in this Agreement or failure to perform any covenant or obligation in this Agreement on the part of the Company shall have occurred such that a condition set forth in Section 7.2(a) or 7.2(b) would not be satisfied and cannot be cured by the Company by the End Date, or if capable of being cured in such time period, shall not have been cured within 30 days of the date Parent gives the Company written notice of such breach or failure to perform; *provided, however,* that Parent shall not have the right to terminate this Agreement pursuant to this Section 8.1(f) if either Parent or Merger Sub is then in material breach of any representation, warranty, covenant or obligation hereunder;

(g) by the Company, if a breach of any representation or warranty contained in this Agreement or failure to perform any covenant or obligation in this Agreement on the part of Parent or Merger Sub shall have occurred, in each case, if such breach or failure would reasonably be expected to prevent Parent or Merger Sub from consummating the Transactions and such breach or failure cannot be cured by Parent or Merger Sub, as applicable, by the End Date, or, if capable of being cured in such time period, shall not have been cured within 30 days of the date the Company gives Parent written notice of such breach or failure to perform; *provided, however,* that the Company shall not have the right to terminate this Agreement pursuant to this Section 8.1(g) if the Company is then in material breach of any representation, warranty, covenant or obligation hereunder; or

(h) by either Parent or the Company, if the Company Stockholder Approval has not been obtained by reason of the failure to obtain the required vote upon a final vote taken at the Stockholder Meeting (or any adjournment or postponement thereof).

8.2. Effect of Termination. In the event of the termination of this Agreement as provided in Section 8.1, written notice thereof shall be given to the other Party or Parties, specifying the provision hereof pursuant to which such termination is made, and this Agreement shall be of no further force or effect and there shall be no liability on the part of Parent, Merger Sub or the Company or any of their respective former, current or future officers, directors, partners, stockholders, managers, members or Affiliates following any such termination; *provided, however,* that (i) the final sentence of Section 5.1, this Section 8.2, Section 8.3 and Section 9 shall survive the termination of this Agreement and shall remain in full force and effect, (ii) the Confidentiality Agreement shall survive the termination of this Agreement and shall remain in full force and effect in accordance with its terms and (iii) the termination of this Agreement shall not relieve any Party from any liability for Fraud or willful breach of this Agreement prior to termination. For purposes of this Agreement, “willful breach” means a breach that is a consequence of an act or omission undertaken by the breaching party with the knowledge that the taking of, or failure to take, such act would, or would reasonably be expected to, cause or constitute a material breach of this Agreement, and “Fraud” means actual, intentional and knowing common law fraud under Delaware law with respect to the making of an express representation or warranty contained in this Agreement with the actual knowledge that such representation or warranty was false as of the date hereof.

8.3. Expenses; Termination Fees.

(a) Except as set forth in Section 9.7 and this Section 8.3, all fees and expenses incurred in connection with this Agreement and the Transactions shall be paid by the Party incurring such expenses, whether or not the Merger is consummated.

(b) In the event that:

- (i) this Agreement is terminated by the Company pursuant to Section 8.1(e);
- (ii) this Agreement is terminated by Parent pursuant to Section 8.1(d); or

(iii) (A) this Agreement is terminated (x) by Parent or the Company pursuant to Section 8.1(b) (but in the case of a termination by the Company, only if at such time Parent would not be prohibited from terminating this Agreement pursuant to the proviso to Section 8.1(b)) or Section 8.1(h) or (y) by Parent pursuant to Section 8.1(f) as a result of a material breach, (B) any Person shall have publicly disclosed a bona fide Acquisition Proposal after the date of this Agreement and prior to such termination (or, in the case of termination pursuant to Section 8.1(h), prior to the Stockholder Meeting) and such Acquisition Proposal has not been publicly withdrawn prior to such termination (or, in the case of termination pursuant to Section 8.1(h), prior to the Stockholder Meeting) and (C) within 12 months of such termination the Company shall have entered into a definitive agreement with respect to such Acquisition Proposal (which Acquisition Proposal is subsequently consummated, whether during or following such 12 month period) or consummated an Acquisition Proposal; *provided* that for purposes of this clause (C), the references to “20%” in the definition of “Acquisition Proposal” shall be deemed to be references to “50%”; then, in any such event under clause (i), (ii) or (iii) of this Section 8.3(b), the Company shall pay or cause to be paid to Parent or its designee the Termination Fee by wire transfer of same day funds (x) in the case of Section 8.3(b)(i), prior to or simultaneously with the execution of the Specified Agreement, (y) in the case of Section 8.3(b)(ii), within two Business Days after such termination or (z) in the case of this Section 8.3(b)(iii), prior to the consummation of the Acquisition Proposal referred to in Section 8.3(b)(iii); it being understood that in no event shall the Company be required to pay the

Termination Fee on more than one occasion. As used herein, “Termination Fee” shall mean a cash amount equal to \$27,000,000.

(c) In the event of any termination described in Section 8.3(b), (i) payment from the Company to Parent of the Termination Fee pursuant to Section 8.3(b) shall be the sole and exclusive remedy of Parent, Merger Sub or any of their respective Affiliates against the Acquired Corporations and any of their respective former, current or future officers, directors, partners, stockholders, managers, members or Affiliates (collectively, “Company Related Parties”) and shall constitute liquidated damages for any loss suffered as a result of the failure of the Merger to be consummated or for a breach or failure to perform hereunder or otherwise, and (ii) upon payment of such amount(s), none of the Company Related Parties shall have any further liability or obligation relating to or arising out of this Agreement or the Transactions and none of Parent, Merger Sub or any of their respective Affiliates shall be entitled to bring or maintain any claim, action or proceeding against any Company Related Party or any of its Affiliates relating to or arising out of this Agreement or the Transactions.

(d) In the event that this Agreement is terminated pursuant to Section 8.1(c) or Section 8.1(b) and all conditions to the Closing are satisfied (other than those conditions that by their terms are to be satisfied at the Closing, each of which is capable of being satisfied at the Closing) or waived (where permissible pursuant to applicable Legal Requirements), other than the conditions set forth in (i) Section 7.1(b), but solely to the extent such Legal Requirement, temporary restraining order, preliminary or permanent injunction or final judgment shall relate to the HSR Act or any other Antitrust Law or (ii) Section 7.1(c), and in either case of clause (i) or (ii), the Company is not then in material breach of any provision of this Agreement (provided that any breach by the Company that is the primary cause of the failure of any condition to this Agreement to be satisfied shall be considered a material breach), then Parent shall promptly pay or cause to be paid to the Company the Parent Termination Fee by wire transfer of same day funds within two Business Days of such termination. As used herein, “Parent Termination Fee” shall mean a cash amount equal to \$65,000,000.

(e) In the event of any termination described in Section 8.3(d), (i) payment from Parent to the Company of the Parent Termination Fee pursuant to Section 8.3(d) shall be the sole and exclusive remedy of the Company and any of its Affiliates against Parent, Merger Sub and any of their respective former, current or future officers, directors, partners, stockholders, managers, members or Affiliates (collectively, “Parent Related Parties”) and the Financing Related Parties and shall constitute liquidated damages for any loss suffered as a result of the failure of the Merger to be consummated or for a breach or failure to perform hereunder or otherwise, and (ii) upon payment of such amount(s), none of the Parent Related Parties or Financing Related Parties shall have any further liability or obligation relating to or arising out of this Agreement or the Transactions and none of the Company or the other Acquired Corporations or their respective Affiliates shall be entitled to bring or maintain any claim, action or proceeding against any Parent Related Party or Financing Related Parties or any of their respective Affiliates relating to or arising out of this Agreement or the Transactions.

(f) The Parties acknowledge that the agreements contained in this Section 8.3 are an integral part of the transactions contemplated by this Agreement and that, without these agreements, the Parties would not enter into this Agreement; accordingly, if (i) the Company fails to timely pay any amount due pursuant to Section 8.3(b), and, in order to obtain the payment, Parent commences a Legal Proceeding which results in a judgment against the Company or (ii) Parent fails to timely pay any amount due pursuant to Section 8.3(c), and, in order to obtain the payment, the Company commences a Legal Proceeding which results in a judgment against Parent; then the Company in the case of clause (i) and Parent in the case of clause (ii) shall pay to the other Party its reasonable and documented costs and expenses (including reasonable and documented attorneys’ fees) in connection with such suit, together

with interest on such amount at the prime rate as published in the Wall Street Journal in effect on the date such payment was required to be made through the date such payment was actually received.

Section 1

MISCELLANEOUS PROVISIONS

9.1 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the Parties. Prior to the Effective Time, this Agreement may be amended with the approval of the respective boards of directors of the Company, Parent and Merger Sub at any time, whether before or after the Company Stockholder Approval has been obtained; *provided* that after the Company Stockholder Approval has been obtained, no amendment shall be made that by any Legal Requirement requires further approval by the Company's stockholders without the further approval of such stockholders. To the extent any amendment or waiver to the provisions of this Agreement of which the Financing Related Parties are expressly made third party beneficiaries pursuant to Section 9.8 (including this Section 9.1) (and any provision of this Agreement to the extent an amendment, modification, waiver or termination of such provision would modify the substance of the foregoing provisions) is sought that would be adverse to the rights of any Financing Source thereunder, the prior written consent of such Financing Source shall be required before such amendment or waiver is effective, and any such amendment or waiver without such prior written consent shall be void.

9.2 Waiver. No failure on the part of any Party to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any Party in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy. At any time prior to the Effective Time, Parent and Merger Sub, on the one hand, and the Company, on the other hand, may (i) extend the time for the performance of any of the obligations or other acts of the other, (ii) waive any breach of the representations and warranties of the other contained herein or in any document delivered pursuant hereto or (iii) waive compliance by the other with any of the agreements or covenants contained herein. Any such extension or waiver shall be valid only if is expressly set forth in a written instrument duly executed and delivered on behalf of the Party or Parties to be bound thereby, but such extension or waiver or failure to insist on strict compliance with an obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

9.3 No Survival of Representations and Warranties. None of the representations and warranties contained in this Agreement, the Company Disclosure Schedule or in any certificate or schedule or other document delivered by any Person pursuant to or in connection with this Agreement shall survive the Merger.

9.4 Entire Agreement; Counterparts. This Agreement (including its Exhibits, Annex and the Company Disclosure Schedule) and the Confidentiality Agreement constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, among or between any of the Parties and their respective Affiliates, with respect to the subject matter hereof and thereof. This Agreement may be executed in one or more counterparts, including by facsimile or by email with .pdf attachments, 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 parties and delivered to the other parties.

9.5 Applicable Legal Requirements; Jurisdiction; Specific Performance; Remedies.

(a) This Agreement, including all matters of construction, validity and performance and any action or proceeding (whether in contract, tort or otherwise) arising out of

this Agreement or any of the Transactions or any other agreements contemplated hereby shall be governed by, and construed in accordance with, the laws of the State of Delaware, including with respect to statutes of limitations, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof. In any action or proceeding arising out of or relating to this Agreement or any of the Transactions: (i) each of the Parties irrevocably and unconditionally consents and submits to the exclusive jurisdiction and venue of the Chancery Court of the State of Delaware and any state appellate court therefrom or, if (but only if) such court lacks subject matter jurisdiction, the United States District Court sitting in New Castle County in the State of Delaware and any appellate court therefrom or, if (but only if) such court lacks subject matter jurisdiction, the Delaware Superior Court and any appellate court therefrom (collectively, the “Delaware Courts”); and (ii) each of the Parties irrevocably consents to service of process by first class certified mail, return receipt requested, postage prepaid, to the address at which such Party is to receive notice in accordance with Section 9.9. Each of the Parties irrevocably and unconditionally (A) agrees not to commence any such action or proceeding except in the Delaware Courts, (B) agrees that any claim in respect of any such action or proceeding may be heard and determined in the Delaware Courts, (C) waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the jurisdiction or laying of venue of any such action or proceeding in the Delaware Courts and (D) waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in the Delaware Courts. The Parties agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Legal Requirements; *provided, however,* that nothing in the foregoing shall restrict any Party’s rights to seek any post-judgment relief regarding, or any appeal from, such final trial court judgment.

(b) The Parties agree that irreparable damage for which monetary damages, even if available, would not be an adequate remedy, would occur in the event that the Parties do not perform their obligations under the provisions of this Agreement in accordance with its specified terms or otherwise breach such provisions. Subject to the following sentence, the Parties acknowledge and agree that (i) the Parties shall be entitled to an injunction or injunctions, specific performance, or other equitable relief, to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in the courts described in Section 9.5(a) without proof of damages or otherwise, this being in addition to any other remedy to which they are entitled under this Agreement, and (ii) the right of specific performance is an integral part of the Transactions and without that right, neither the Company nor Parent would have entered into this Agreement. Each of the Parties agrees that it will not oppose the granting of an injunction, specific performance and other equitable relief on the basis that the other Parties have an adequate remedy at law or an award of specific performance is not an appropriate remedy for any reason at law or equity. The Parties acknowledge and agree that any Party seeking an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in accordance with this Section 9.5(b) shall not be required to provide any bond or other security in connection with any such order or injunction. The Parties acknowledge and agree that, while the Company may pursue a grant of specific performance prior to the termination of this Agreement, following a termination of this Agreement, under no circumstances shall the Company be permitted or entitled to seek a grant of specific performance to cause the Closing to occur; *provided* that the Company may continue any ongoing action for specific performance filed prior to a purported termination of this Agreement.

(c) EACH OF THE PARTIES IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING BETWEEN THE PARTIES (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE), INCLUDING ANY COUNTERCLAIM, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THE ACTIONS OF ANY PARTY HERETO IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND

ENFORCEMENT THEREOF (INCLUDING ANY DISPUTE ARISING OUT OF OR RELATING TO THE FINANCING OR ANY COMMITMENT LETTER OR THE PERFORMANCE OF SERVICES THEREUNDER OR RELATED THERETO). EACH PARTY (I) MAKES THIS WAIVER VOLUNTARILY AND (II) ACKNOWLEDGES THAT SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS CONTAINED IN THIS SECTION 9.5(c).

(d) Notwithstanding the foregoing provisions of this Section 9.5, each Party agrees that (i) it will not bring or support any action, cause of action, claim, cross-claim or third party claim of any kind or description, whether in law or in equity, whether in contract or in tort or otherwise, against or involving any Financing Source, or any of their respective former, current or future Representatives, general or limited partners, stockholders, members, managers, controlling persons, Affiliates, successors or assigns (collectively, and together with the Financing Sources, the “Financing Related Parties”) relating to this Agreement or any of the transactions contemplated by this Agreement, including the Merger, including any dispute arising under or relating to any agreement entered into by the Financing Related Parties in connection with the Financing or the performance thereof, in any forum other than the United States District Court for the Southern District of New York or if such court does not have jurisdiction over such action or proceeding, such action or proceeding shall be heard and determined exclusively in any New York state court sitting in the Borough of Manhattan of The City of New York, (ii) it will waive and hereby waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of, and the defense of an inconvenient forum to the maintenance of, any such action or any such claim, cross-claim, suit or proceeding in any such court, and (iii) any such action or proceeding shall be governed by the laws of the State of New York. Notwithstanding anything to the contrary set forth in this Agreement, none of the Financing Related Parties will have any liability to the Company, any of its Affiliates, their respective former, current or future Representatives, general or limited partners, stockholders, members, managers, controlling persons, Affiliates, successors or assigns (collectively, the “Seller Parties”) relating to or arising out of this Agreement or the Financing, whether at law, or equity, in contract, in tort or otherwise, and neither the Company nor any of its Affiliates or other Seller Parties will have any rights or claims against any of the Financing Related Parties hereunder or thereunder relating to or arising of this Agreement or the Financing.

9.6 Assignability. This Agreement shall be binding upon, and shall be enforceable by and inure solely to the benefit of, the Parties and their respective successors and permitted assigns; *provided, however,* that neither this Agreement nor any of the rights hereunder may be assigned by a Party without the prior written consent of the other Parties, and any attempted assignment of this Agreement or any of such rights without such consent shall be void and of no effect, except that Parent may assign this Agreement to any of its Affiliates without the prior consent of the Company, but no such assignment shall relieve Parent of its obligations hereunder.

9.7 Transfer Tax. Except as otherwise provided in Section 1.4(b), all transfer, documentary, sales, use, stamp, registration and other similar Taxes imposed with respect to the transfer of Shares pursuant to the Merger shall be borne by the Company and expressly shall not be a liability of holders of Shares.

9.8 No Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person (other than the Parties) any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement; except for: (i) if the Effective Time occurs, (A) the right of the Company’s stockholders to receive the Merger Consideration in accordance with the terms of this Agreement and (B) the right of the holders of Company Options, Company SARs, Company Restricted Stock and Company RSUs to receive the Merger Consideration pursuant to Section 1.6 following the Effective Time in accordance with the terms of this Agreement; (ii) the provisions set forth in Section 6.6 of this Agreement (which are

intended for the benefit of each Indemnified Person, each of whom will be third party beneficiaries of these provisions); (iii) the limitations on liability of the Company Related Parties set forth in Section 8.3(c); and (iv) the provisions set forth in Section 9.1, Section 9.5(c), Section 9.5(d) and this Section 9.8 (which are intended for the benefit of each of the Financing Related Parties, each of which will be third party beneficiaries of these provisions).

9.9 Notices. Any notice or other communication required or permitted to be delivered to any Party under this Agreement shall be in writing and shall be deemed properly delivered, given and received (i) upon receipt when delivered by hand, (ii) two Business Days after being sent by registered mail or by courier or express delivery service, or (iii) if emailed, upon confirmation of transmission (provided no bounce-back or similar message of non-delivery is received with respect thereto); *provided* that in each case the notice or other communication is sent to the physical address or email address set forth beneath the name of such Party below (or to such other physical address or email address as such Party shall have specified in a written notice given to the other Parties):

if to Parent or Merger Sub (or following the Effective Time, the Surviving Corporation):

Alcon Research, LLC
6201 South Freeway
Fort Worth, Texas 76134-2099
Attention: General Counsel
E-mail: *****@*****.com

with a copy (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP
500 Boylston Street
Boston, Massachusetts 02116
Attention: Graham Robinson
Faiz Ahmad
Email: *****@*****.com
*****@*****.com

if to the Company (prior to the Effective Time):

Aerie Pharmaceuticals, Inc.
4301 Emperor Boulevard, Suite 400
Durham, North Carolina 27703
Attention: Raj Kanna
John LaRocca
Email: *****@*****.com
*****@*****.com

with a copy (which shall not constitute notice) to:

Fried, Frank, Harris, Shriver & Jacobson LLP
One New York Plaza
New York, NY 10004
Attention: Steven Scheinfeld
Matthew Soran
Email: *****@*****.com
*****@*****.com

9.10 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions of this Agreement or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If a final judgment of a court of competent jurisdiction declares that any term or provision of this Agreement is invalid or unenforceable, the Parties agree that the court making such determination shall have the power to limit such term or provision, to delete specific words or phrases or to replace such term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be valid and enforceable as so modified. In the event such court does not exercise the power granted to it in the prior sentence, the Parties agree to replace such invalid or unenforceable term or provision with a valid and enforceable term or provision that will achieve, to the extent possible, the economic, business and other purposes of such invalid or unenforceable term or provision.

9.11 Obligation of Parent. Parent shall ensure that Merger Sub duly performs, satisfies and discharges on a timely basis each of the covenants, obligations and liabilities applicable to Merger Sub under this Agreement, and Parent shall be jointly and severally liable with Merger Sub for the due and timely performance and satisfaction of each of said covenants, obligations and liabilities.

9.12 Construction.

(a) For purposes of this Agreement, whenever the context requires: the singular number shall include the plural, and vice versa; words denoting any gender shall include all genders.

(b) The Parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not be applied in the construction or interpretation of this Agreement.

(c) All references to days or months shall be deemed references to calendar days or months unless otherwise specified herein.

(d) All references to “\$” or dollar shall be deemed references to United States dollars.

(e) As used in this Agreement, (i) the words “include” and “including,” and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words “without limitation” and (ii) the word “or” shall not be exclusive.

(f) The words “hereof,” “herein,” “herewith” and “hereunder” and words of similar import referring to this Agreement refer to this Agreement as a whole (including the Company Disclosure Schedule, Exhibits and Annexes hereto and thereto) and not to any particular provision of this Agreement.

(g) As used in this Agreement, “ordinary course of business” means the ordinary course of business in all material respects and consistent with past practice in all material respects.

(h) Except as otherwise indicated, all references in this Agreement to “Sections,” “Exhibits” or “Annexes” are intended to refer to Sections of this Agreement and Exhibits or Annexes to this Agreement.

(i) With respect to information provided by the Company to Parent, the term “made available,” “delivered” or such term with similar import used in this Agreement means that the information referred to (i) is included in the Company SEC Documents made publicly available at least three days prior to the date of this Agreement or (ii) has been posted at least one day prior to the date of this Agreement in the “data room” established by the Company or its Representatives.

(j) Capitalized terms used in the Company Disclosure Schedule and not otherwise defined therein have the meanings given to them in this Agreement.

(k) The bold-faced headings contained in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first above written.

ALCON RESEARCH, LLC

By: /s/ David J. Endicott

Name: David J. Endicott

Title: President and CEO

LYON MERGER SUB, INC.

By: /s/ Timothy C. Stonesifer

Name: Timothy C. Stonesifer

Title: Treasurer and CFO

AERIE PHARMACEUTICALS, INC.

By: /s/ Raj Kannan

Name: Raj Kannan

Title: Chief Executive Officer

[Signature Page to Agreement and Plan of Merger]

EXHIBIT A
CERTAIN DEFINITIONS

For purposes of the Agreement (including this **Exhibit A**):

Acceptable Confidentiality Agreement. “Acceptable Confidentiality Agreement” is defined in Section 5.4(a) of the Agreement.

Acquired Corporation. “Acquired Corporation” is defined in Section 3.1(a) of the Agreement.

Acquisition Proposal. “Acquisition Proposal” shall mean any proposal or offer from any Person (other than Parent and its Affiliates) or “group,” within the meaning of Section 13(d) of the Exchange Act, relating to, in a single transaction or series of related transactions, any (i) acquisition or exclusive license of assets of the Company equal to more than 20% of the Company’s consolidated assets or to which more than 20% of the Company’s revenues or earnings on a consolidated basis are attributable, (ii) issuance or acquisition of more than 20% of the outstanding Company Common Stock, (iii) recapitalization, tender offer or exchange offer that if consummated would result in any Person or group beneficially owning more than 20% of the outstanding Company Common Stock or (iv) merger, consolidation, amalgamation, share exchange, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company that if consummated would result in any Person or group beneficially owning more than 20% of the outstanding Company Common Stock, in each case other than the Transactions.

Affiliate. “Affiliate” shall mean, as to any Person, any other Person that, directly or indirectly, controls, or is controlled by, or is under common control with, such Person. For this purpose, “control” (including, with its correlative meanings, “controlled by” and “under common control with”) shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a Person, whether through the ownership of securities or partnership or other ownership interests, by Contract or otherwise.

Agreement. “Agreement” is defined in the preamble to the Agreement.

Anti-Corruption Laws. “Anti-Corruption Laws” shall mean the Foreign Corrupt Practices Act of 1977, as amended, the UK Bribery Act of 2012, the Anti-Bribery Laws of the People’s Republic of China or any other applicable Legal Requirements pertaining to bribery or corruption.

Antitrust Laws. “Antitrust Laws” shall mean the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, all applicable foreign anti-trust laws and all other applicable Legal Requirements issued by a Governmental Body 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.

Antitrust Restraint. “Antitrust Restraint” is defined in Section 6.2(a) of the Agreement.

Board of Directors. “Board of Directors” shall mean the board of directors of the Company.

Book-Entry Shares. “Book-Entry Shares” shall mean non-certificated Shares represented by book-entry.

Business Day. “Business Day” shall mean a day except a Saturday, a Sunday or other day on which banks in the City of New York or Geneva, Switzerland are authorized or required by Legal Requirements to be closed.

Capitalization Date. “Capitalization Date” is defined in Section 3.3(a) of the Agreement.

Capped Call Documentation. “Capped Call Documentation” shall mean (i) the letter agreement re: Base Call Option Transaction, dated as of September 4, 2019 by and between the Company and Bank of America, N.A., (ii) the letter agreement re: Base Call Option Transaction, dated as of September 4, 2019 by and between the Company and Citibank, N.A., (iii) the letter agreement re: Additional Call Option Transaction, dated as of September 10, 2019 by and between the Company and Bank of America, N.A., (iv) the letter agreement re: Additional Call Option Transaction, dated as of September 10, 2019 by and between the Company and Citibank, N.A., (v) the Base Capped Call Side Letter, dated as of September 4, 2019 by and between Company and Bank of America, N.A., (vi) the Base Capped Call Side Letter, dated as of September 4, 2019 by and between Company and Citibank, N.A., (vii) the Additional Capped Call Side Letter, dated as of September 10, 2019, between Company and Bank of America, N.A., and (viii) the Additional Capped Call Side Letter, dated as of September 10, 2019, between Company and Citibank, N.A.

Capped Call Transactions. “Capped Call Transactions” shall mean the capped call transactions evidenced by the Capped Call Documentation.

Certificates. “Certificates” is defined in Section 1.4(a) of the Agreement.

Closing. “Closing” is defined in Section 1.1 of the Agreement.

Closing Date. “Closing Date” is defined in Section 1.1 of the Agreement.

Code. “Code” shall mean the Internal Revenue Code of 1986, as amended.

Collective Bargaining Agreement. “Collective Bargaining Agreement” shall mean any written agreement, memorandum of understanding or other contractual obligation between an Acquired Corporation and any labor organization or other authorized employee representative representing Company employees.

Company. “Company” is defined in the preamble to the Agreement.

Company 2022 Annual Bonus Plan. “Company 2022 Annual Bonus Plan” is defined in Section 6.3(d) of the Agreement.

Company 401(k) Plan. “Company 401(k) Plan” is defined in Section 6.4 of the Agreement.

Company Adverse Recommendation Change. “Company Adverse Recommendation Change” is defined in Section 6.1(a) of the Agreement.

Company Associate. “Company Associate” shall mean each officer or other employee, or individual who is an independent contractor, consultant or director, of or to the Company or its Subsidiaries.

Company Board Recommendation. “Company Board Recommendation” is defined in Section 3.20 of the Agreement.

Company Common Stock. “Company Common Stock” shall mean the common stock, \$0.001 par value per share, of the Company.

Company Disclosure Schedule. “Company Disclosure Schedule” shall mean the disclosure schedule that has been prepared by the Company in accordance with the requirements of the Agreement and that has been delivered by the Company to Parent on the date of the Agreement.

Company Equity Plans. “Company Equity Plans” shall mean the Company’s Omnibus Incentive Plan, as amended, 2005 Stock Option Plan, as amended, Inducement Awards Plan, as amended.

Company ESPP. “Company ESPP” shall mean the Company’s Employee Stock Purchase Plan, as amended.

Company IP. “Company IP” shall mean, collectively, (a) all Company Owned IP and (b) all Company Licensed IP.

Company IT Systems. “Company IT Systems” shall mean computers, computer software, firmware, middleware, servers, workstations, routers, hubs, switches, databases, data communications lines, network and telecommunications equipment and all other information technology equipment, infrastructure, systems and networks, and all associated documentation owned any Acquired Corporation or licensed or leased to any Acquired Corporation (excluding any public networks).

Company Licensed IP. “Company Licensed IP” shall mean all third party Intellectual Property Rights licensed to any of the Acquired Corporations, or with respect to which the Acquired Corporations have been granted any other similar right or immunity (including any non-assert or covenant not to sue).

Company Options. “Company Options” shall mean all compensatory options to purchase Shares issued pursuant to a Company Equity Plan, other than options pursuant to the Company ESPP.

Company Owned IP. “Company Owned IP” shall mean all Intellectual Property Rights that are owned or purported to be owned by any of the Acquired Corporations.

Company Performance-Vested Restricted Stock. “Company Performance-Vested Restricted Stock” is defined in Section 3.3(c) of the Agreement.

Company Related Parties. “Company Related Parties” is defined in Section 8.3(c) of the Agreement.

Company Returns. “Company Returns” is defined in Section 3.15(a) of the Agreement.

Company Restricted Stock. “Company Restricted Stock” shall mean each share of Company Common Stock that is, at the time of determination, subject to vesting, forfeiture, repurchase, or other lapse restrictions under a Company Equity Plan.

Company RSU. “Company RSU” shall mean each restricted stock unit issued under any Company Equity Plan or otherwise granted with respect to Shares, including restricted stock units subject to performance vesting conditions.

Company SARs. “Company SARs” shall mean all stock appreciation rights with respect to Shares issued pursuant to a Company Equity Plan.

Company SEC Documents. “Company SEC Documents” is defined in Section 3.4(a) of the Agreement.

Company Stockholder Approval. “Company Stockholder Approval” is defined in Section 3.20 of the Agreement.

Confidentiality Agreement. “Confidentiality Agreement” is defined in Section 5.1 of the Agreement.

Consent. “Consent” shall mean any approval, consent, ratification, permission, waiver or authorization.

Continuing Employee. “Continuing Employee” is defined in Section 6.3(a) of the Agreement.

Contract. “Contract” shall mean any binding agreement, contract, subcontract, lease, sublease, understanding, instrument, bond, debenture, note, option, warrant, license, sublicense, commitment or undertaking.

Convertible Notes. “Convertible Notes” shall mean the Company’s 1.50% Convertible Senior Notes due 2024.

Convertible Notes Indenture. “Convertible Notes Indenture” shall mean the Indenture, dated as of September 9, 2019, between the Company and Wilmington Trust, National Association.

Copyrights. “Copyrights” is defined in the definition of Intellectual Property Rights.

cGMP. “cGMP” shall mean all current good manufacturing practices as may be applicable, including: (a) as required by 21 USC 351, (b) the provisions of 21 C.F.R., parts 210 and 211 and all applicable rules, regulations, orders and guidance of the FDA and other applicable Governmental Bodies, and (c) ICH, Guidance for Industry Q7a Good Manufacturing Practice Guidance for Active Pharmaceutical Ingredients.

COVID-19. “COVID-19” shall mean SARS-CoV-2 or the coronavirus (COVID-19) pandemic, including any intensification, resurgence, variants, evolutions or mutations of SARS-CoV-2 or the coronavirus (COVID-19) disease or related or associated epidemics, pandemics or disease outbreaks or public health emergencies.

COVID-19 Relief Legislation. “COVID-19 Relief Legislation” shall mean the Coronavirus Aid, Relief, and Economic Security Act, Pub. L. 116-136, the Consolidated Appropriations Act, 2021, Pub. L. 116-260, the American Rescue Plan Act of 2021, Pub. L. 117-2, and any similar U.S., non-U.S., state or local grant, subsidy, allowance, relief scheme, stimulus fund, program or measure enacted by a Governmental Body in connection with or in response to COVID-19.

Current D&O Insurance. “Current D&O Insurance” is defined in Section 6.6(b) of the Agreement.

Customs & Trade Control Laws. “Customs & Trade Control Laws” shall mean all applicable U.S. Legal Requirements relating to (a) the export or re-export of commodities,

technologies, or services, including the Export Control Reform Act, the U.S. Export Administration Regulations, the International Traffic in Arms Regulations, 22 C.F.R. parts 120-130, the Trading with the Enemy Act, 50 U.S.C. §§ 4301 *et seq.*, the Arms Export Control Act, 22 U.S.C. §§ 2778 and 2779; (b) the International Boycott Provisions of Section 999 of the Code and of the U.S. Export Administration Regulations; and (c) imports and customs.

Data Privacy Laws. “Data Privacy Laws” shall mean all applicable privacy, security, and data protection Legal Requirements of any applicable jurisdiction (including, by way of example only, HIPAA, the European Union’s General Data Protection Regulation and the California Consumer Privacy Act).

Delaware Courts. “Delaware Courts” is defined in Section 9.5(a) of the Agreement.

Determination Notice. “Determination Notice” is defined in Section 6.1(b)(i) of the Agreement.

DGCL. “DGCL” shall mean the Delaware General Corporation Law, as amended.

Dissenting Shares. “Dissenting Shares” is defined in Section 1.5 of the Agreement.

DOJ. “DOJ” shall mean the U.S. Department of Justice.

Earned Strategic PSAs. “Earned Strategic PSAs” is defined in Section 1.6(g) of the Agreement.

Effective Time. “Effective Time” is defined in Section 1.2(b) of the Agreement.

Employee Plan. “Employee Plan” shall mean any (a) “employee benefit plan” as defined in Section 3(3) of ERISA (whether or not subject to ERISA), (b) bonus, vacation, deferred compensation, incentive compensation, stock purchase, stock option, other equity-based plan, severance pay, termination pay, death and disability benefits, hospitalization, medical, life or other insurance benefits (including any self-insured arrangement), medical, dental, vision, prescription or fringe benefits, flexible benefits, supplemental unemployment benefits, profit-sharing, pension or retirement plan, policy, program, agreement or arrangement, and (c) employment, consulting, severance, change in control, retention, transaction or similar agreement, and each other employee benefit plan, or arrangement, in each case that is (i) sponsored, maintained, contributed to or required to be contributed to by any of the Acquired Corporations for the current or future benefit of any current or former employee, officer, director or individual independent contractor of any of the Acquired Corporations, (ii) with respect to which any Acquired Corporation has any direct or indirect liability or (iii) to which any Acquired Corporation is a party.

Encumbrance. “Encumbrance” shall mean any lien, pledge, hypothecation, mortgage, security interest, encumbrance, right of first refusal, preemptive right or similar restriction of any nature.

End Date. “End Date” is defined in Section 8.1(b) of the Agreement.

Entity. “Entity” shall mean any corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any company limited by shares, limited liability company or joint stock company), firm, society or other enterprise, association, organization or entity.

Environmental Law. “Environmental Law” shall mean any federal, state, local or foreign Legal Requirement relating to pollution or protection of human health, worker health or the environment (including ambient air, surface water, ground water, land surface or subsurface strata), including any law or regulation relating to emissions, discharges, Releases or threatened Releases of Hazardous Materials, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

Equity Award Consideration. “Equity Award Consideration” shall mean the aggregate payments to the holders of In the Money Options, In the Money SARs, Company Restricted Stock (other than Company Performance-Vested Restricted Stock), Earned Strategic PSAs, rTSR PSAs and Company RSUs.

ERISA. “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

Exchange Act. “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

Exchange Agent. “Exchange Agent” is defined in Section 1.4(a) of the Agreement.

FDA. “FDA” shall mean the United States Food and Drug Administration.

FDCA. “FDCA” shall mean the Federal Food, Drug and Cosmetic Act, as amended, and all rules and regulations issued pursuant thereto.

Financing. “Financing” shall mean any debt financing under which Parent or Merger Sub (either directly or through any of their Affiliates) receives proceeds to enable Parent and Merger Sub to make the payments required in connection with the Transactions in accordance with the terms of this Agreement.

Financing Related Parties. “Financing Related Parties” is defined in Section 9.5(d) of the Agreement.

Financing Source. “Financing Source” shall mean each Person that has committed to provide or otherwise entered into any commitment letter, engagement letter, credit agreement, underwriting agreement, purchase agreement, indenture or other agreement with Parent or Merger Sub or any of their Affiliates in connection with, or that is otherwise acting as an arranger, bookrunner, underwriter, initial purchaser, placement agent, administrative or collateral agent, trustee or a similar representative in respect of, any Financing as each such Person may be replaced pursuant to any amendment, restatement, supplement or other modification or replacement or substitution of any Financing.

Fraud. “Fraud” is defined in Section 8.2 of the Agreement.

FTC. “FTC” shall mean the U.S. Federal Trade Commission.

GAAP. “GAAP” is defined in Section 3.4(b) of the Agreement.

Good Clinical Practices. “Good Clinical Practices” shall mean FDA’s regulations for the design, conduct, performance, monitoring, auditing, recording, analysis, and reporting of clinical trials contained in 21 C.F.R. Parts 50, 54, 56 and 312, and all other Legal Requirements or regulations that may be applicable to clinical trials and human subject protection, including 45 C.F.R. Part 46.

Government Funded IP. “Government Funded IP” is defined in Section 3.8(g) of the Agreement.

Government Official. “Government Official” refers to (i) any public or elected official, officer, employee (regardless of rank), or person acting on behalf of a national, provincial, or local government, department, agency, instrumentality, state-owned or state-controlled company, public international organization, or political party and (ii) any party official or candidate for political office or any person acting on behalf of such party official or candidate for political office.

Governmental Authorization. “Governmental Authorization” shall mean any: permit, license, certificate, franchise, permission, clearance, registration, qualification or authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

Governmental Body. “Governmental Body” shall mean any: (a) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign or other government; or (c) governmental or quasi-governmental authority of any nature including any governmental division, department, agency, commission, instrumentality, official, ministry, fund, foundation, center, organization, unit or body and any court, arbitrator or other tribunal, including, for the avoidance of doubt, any taxing or similar authority competent to impose, administer or collect any charge to Tax.

Hazardous Materials. “Hazardous Materials” shall mean any waste, material, or substance that is listed, regulated or defined as hazardous, toxic, a pollutant, a contaminant or words of similar import under any Environmental Law and includes any pollutant, chemical substance, hazardous substance, hazardous waste, special waste, solid waste, asbestos, radioactive material, polychlorinated biphenyls, per- and polyfluoroalkyl substances, petroleum or petroleum-derived substance or waste.

Health Care Data Requirements. “Health Care Data Requirements” is defined in Section 3.12(f) of the Agreement.

HIPAA. “HIPAA” is defined in Section 3.12(f) of the Agreement.

HITECH. “HITECH” is defined in Section 3.12(f) of the Agreement.

HSR Act. “HSR Act” shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

Improvements. “Improvements” shall mean the buildings, structures, fixtures, building systems and equipment included in the Leased Real Property.

Indebtedness. “Indebtedness” shall mean (i) any indebtedness for borrowed money (including the issuance of any debt security) to any Person, (ii) any obligations evidenced by notes, bonds, debentures or similar Contracts to any Person other than the Company, (iii) any obligations in respect of letters of credit and bankers’ acceptances (to the extent drawn down), (iv) all liabilities for deferred and unpaid purchase price of assets, property, or securities, including all earn-out payments, seller notes, and other similar payments (whether contingent or otherwise) calculated as the maximum amount payable under or pursuant to such obligation, (v) interest rate swap, forward contract, currency or other hedging arrangements, to the extent payable if terminated, or (vi) any guaranty of any such obligations described in clauses (i) through (v) of any Person other than the Acquired Corporations (other than, in any case, accounts

payable to trade creditors and accrued expenses, in each case, arising in the ordinary course of business).

Indemnified Persons. “Indemnified Persons” is defined in Section 6.6(a) of the Agreement.

In the Money Option. “In the Money Option” is defined in Section 1.6(b) of the Agreement.

In the Money SAR. “In the Money SAR” is defined in Section 1.6(d) of the Agreement.

Intellectual Property Rights. “Intellectual Property Rights” shall mean any and all intellectual property and industrial property rights of every kind and description throughout the world, including all U.S. and foreign (i) patents and patent applications, including all provisionals, nonprovisionals, continuations, continuations-in-part, divisionals, reissues, extensions, re-examinations, substitutions, and extensions thereof and the equivalents of any of the foregoing in any jurisdiction (“Patents”), (ii) trademarks, service marks, trade names, logos, slogans, trade dress, design rights, domain names and other similar designations of source or origin, whether or not registered and applications and registrations for, and all goodwill associated with, the foregoing (“Trademarks”), (iii) copyrights and applications and registrations for the foregoing (“Copyrights”), and (iv) trade secrets and confidential and proprietary know-how, inventions, processes, formulae, models, methodologies, specifications, including manufacturing information and processes, assays, engineering and other manuals and drawings, standard operating procedures, regulatory, chemical, pharmacological, toxicological, pharmaceutical, physical and analytical, safety, quality assurance, quality control and clinical data and similar data and information, and (v) rights in software, database rights and industrial property rights.

Intervening Event. “Intervening Event” shall mean any event, occurrence, circumstance, change or effect that materially affects the business, assets or operations of the Company (other than any event, occurrence, circumstance, change or effect primarily resulting from a breach of this Agreement by the Company) occurring or arising after the date of this Agreement that was neither known to the Board of Directors nor reasonably foreseeable as of the date of this Agreement, which event, occurrence, circumstance, change or effect becomes known to the Board of Directors prior to the Effective Time, other than (i) changes in the Company Common Stock price, in and of itself (however, the underlying reasons for such changes may constitute an Intervening Event), (ii) any Acquisition Proposal or (iii) the fact that, in and of itself, the Company exceeds any internal or published projections, estimates or expectations of the Company’s revenue, earnings or other financial performance or results of operations for any period, in and of itself (however, the underlying reasons for such events may constitute an Intervening Event).

Irish Subsidiary. “Irish Subsidiary” shall mean Aerie Pharmaceuticals Ireland Limited, a private limited company incorporated in Ireland with registered number 559879 and whose registered office is at Athlone Business and Technology Park, Garrycastle, Dublin Road, Athlone, County Westmeath, Ireland, and (b) Aerie Pharmaceuticals Limited, a private limited company incorporated in the Cayman Islands and which is tax resident in Ireland.

IRS. “IRS” shall mean the U.S. Internal Revenue Service.

knowledge. “knowledge” with respect to an Entity shall mean with respect to any matter in question the actual knowledge of such Entity’s executive officers.

Key Employee. “Key Employee” shall mean an employee of any Acquired Corporation at a level of Executive Vice President or above.

Leases. “Leases” shall mean all leases, subleases, licenses and agreements, including all amendments, extensions, renewals and guaranties with respect thereto, pursuant to which any of the Acquired Corporations holds or occupies any Leased Real Property.

Leased Real Property. “Leased Real Property” is defined in Section 3.7(b) of the Agreement.

Legal Proceeding. “Legal Proceeding” shall mean any action, suit, complaint, claim, charge, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, or governmental or regulatory investigation, in each case, commenced, brought, conducted or heard by or before any Governmental Body.

Legal Requirement. “Legal Requirement” shall mean any federal, state, local, municipal, foreign or other law, statute, constitution, resolution, ordinance, common law, code, edict, decree, order, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body (or under the authority of Nasdaq or another stock exchange), including specifically all approval, reporting, and cGMP standards (or similar standards or guidelines) of the FDCA, the Public Health Service Act and other applicable Governmental Bodies and compendial guidelines (e.g., United States Pharmacopeia or European Pharmacopeia), the Drug Supply Chain Security Act, as well as Custom & Trade Control Laws, Sanctions, the Foreign Corrupt Practices Act, and other Anti-Corruption Laws, in each case to the extent applicable to the products and performance obligations under this Agreement. For the avoidance of doubt, correspondence from the FTC or DOJ indicating that such Governmental Body has not completed its investigation of the Transactions shall not be deemed to be a Legal Requirement.

LLC Act. “LLC Act” is defined in Section 4.4(a) of the Agreement.

Material Adverse Effect. “Material Adverse Effect” shall mean any event, occurrence, circumstance, change or effect which, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on (a) the ability of the Company to consummate the Transactions on or before the End Date or (b) the business, assets, condition (financial or otherwise) or results of operations of the Acquired Corporations, taken as a whole; *provided, however,* that none of the following shall be deemed to constitute or be taken into account in determining whether there is, or would reasonably be expected to be, a Material Adverse Effect: (i) any change in the market price or trading volume of the Company’s stock or change in the Company’s credit ratings; *provided* that the underlying causes of any such change may be considered in determining whether a Material Adverse Effect has occurred to the extent not otherwise excluded by another exception herein; (ii) any event, occurrence, circumstance, change or effect resulting from the announcement, pendency or performance of the Transactions (other than for purposes of any representation or warranty contained in Section 3.21); (iii) any event, occurrence, circumstance, change or effect generally affecting the industries in which the Acquired Corporations operate or in the economy generally or other general business, financial or market conditions; (iv) any event, occurrence, circumstance, change or effect arising directly or indirectly from or otherwise relating to general changes in the financial, credit, banking, securities or capital markets in the United States or any other country or region in the world (including any disruption thereof and any decline in the price of any market index) and including general changes or developments in or relating to currency exchange or interest rates; (v) any event, occurrence, circumstance, change or effect arising directly or indirectly from or otherwise relating to any political or social conditions (or changes in such conditions) in the United States or any other country or region in the world, act of terrorism, war, national or international

calamity, natural disaster, acts of god, pandemic (including COVID-19) or any other similar event, or any escalation or worsening of any of the foregoing, or any action taken by any Governmental Body in response to any of the foregoing; (vi) the failure of the Company to meet internal or analysts' expectations or projections; *provided* that the underlying causes of such failure may be considered in determining whether a Material Adverse Effect has occurred to the extent not otherwise excluded by another exception herein; (vii) any adverse effect arising from any action taken by the Company at the written direction or request of Parent or any action required to be taken by the Company pursuant to this Agreement; (viii) any event, occurrence, circumstance, change or effect resulting or arising from the identity of, or any facts or circumstances relating to, Parent, Merger Sub or any of their respective Affiliates; (ix) any event, occurrence, circumstance, change or effect arising directly or indirectly from or otherwise relating to any change or proposed change in, or any compliance with or action taken for the purpose of complying with any change or proposed change in, any Legal Requirement or GAAP (or interpretations of any Legal Requirement or GAAP); (x) any actual or potential sequester, stoppage, shutdown, default or similar event or occurrence by or involving any Governmental Body affecting a national or federal government as a whole; or (xi) changes in anti-dumping actions, international tariffs, trade policies, or any "trade wars"; *provided* that any event, occurrence, circumstance, change or effect referred to in the foregoing clauses (iii), (iv), (v), (ix) and (x) may be taken into account in determining whether there is, or would be reasonably expected to be, a Material Adverse Effect to the extent such event, occurrence, circumstance, change or effect disproportionately affects the Acquired Corporations relative to other participants in the industries in which the Acquired Corporations operate, but only to the extent of any such incremental disproportionate effect of such event, occurrence, circumstance, change or effect on the Acquired Corporations.

Material Contract. "Material Contract" is defined in Section 3.9(a) of the Agreement.

Maximum Amount. "Maximum Amount" is defined in Section 6.6(b) of the Agreement.

Merger. "Merger" is defined in Recital (A) to the Agreement.

Merger Consideration. "Merger Consideration" is defined in Section 1.3(a)(iii) of the Agreement.

Merger Sub. "Merger Sub" is defined in the preamble to the Agreement.

Merger Sub Sole Stockholder Approval. "Merger Sub Sole Stockholder Approval" is defined in Recital (C) to the Agreement.

Nasdaq. "Nasdaq" shall mean The Nasdaq Global Market.

New Plan. "New Plan" is defined in Section 6.3(b) of the Agreement.

Old Plan. "Old Plan" is defined in Section 6.3(b) of the Agreement.

Parent. "Parent" is defined in the preamble to the Agreement.

Parent 401(k) Plan. "Parent 401(k) Plan" is defined in Section 6.4 of the Agreement.

Parent Material Adverse Effect. "Parent Material Adverse Effect" shall mean any event, occurrence, circumstance, change or effect which, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on the ability of Parent or Merger Sub to consummate the Transactions on or before the End Date.

Parent Related Parties. “Parent Related Parties” is defined in Section 8.3(e) of the Agreement.

Parent Termination Fee. “Parent Termination Fee” is defined in Section 8.3(d) of the Agreement.

Parties. “Parties” shall mean Parent, Merger Sub, and the Company.

Patents. “Patents” is defined in the definition of Intellectual Property Rights.

Payment Fund. “Payment Fund” is defined in Section 1.4(a) of the Agreement.

Permitted Encumbrance. “Permitted Encumbrance” shall mean (a) any Encumbrance for Taxes that are not due and payable or the validity of which is being contested in good faith by appropriate proceedings and for which a reserve has been established in accordance with GAAP, (b) any Encumbrance representing the rights of customers, suppliers and subcontractors in the ordinary course of business under the terms of any Contracts to which the relevant Party is a party or under general principles of commercial or government contract law for amounts not yet due and payable or that may be subsequently paid without penalty or that are being contested in good faith by appropriate proceedings (including mechanics’, materialmen’s, carriers’, workmen’s, warehouseman’s, repairmen’s, landlords’ and similar liens granted or which arise in the ordinary course of business), (c) any interest or title of a lessor under Leases (other than capital leases) entered into by the Company or its Subsidiaries in the ordinary course of business which does not materially impair the value or use of such lease, (d) in the case of any Contract, Encumbrances that are restrictions against the transfer or assignment thereof that are included in the terms of such Contract, (e) licenses of or other grants of rights to use or obligations with respect to Intellectual Property Rights and (f) in the case of real property, Encumbrances incurred or suffered in the ordinary course of business and which, individually or in the aggregate, do not and would not materially impair the use (or contemplated use), utility or value of the applicable real property or otherwise materially impair the present or contemplated business operations at such location, or zoning, entitlement, building and other land use regulations imposed by Governmental Bodies having jurisdiction over such real property which are not violated by the current use or occupancy of the Leased Real Property in any material respect.

Person. “Person” shall mean any individual, Entity or Governmental Body.

Personal Information. “Personal Information” shall mean any information or data that constitutes “personal data,” “personal information,” or any comparable term otherwise regulated with respect to the Processing thereof, under any Data Privacy Laws.

Plant. “Plant” is defined in Section 3.7(e) of the Agreement.

Pre-Closing Period. “Pre-Closing Period” is defined in Section 5.1 of the Agreement.

Privacy Requirements. “Privacy Requirements” shall mean all (i) Data Privacy Laws, (ii) internal and external privacy policies, programs and procedures, (iii) contractual obligations and (iv) applicable industry or nongovernmental regulatory body rules, regulations and standards, in each case of the foregoing (i)-(iv), to the extent relating to (x) data privacy, cybersecurity or the privacy of individuals or (y) the Processing of any Personal Information or other sensitive, regulated or confidential data by or on behalf of any Person.

Processing. “Processing” shall mean, as to any data or information, collecting, using, disclosing, transferring, transmitting, disseminating, storing, retaining, managing, controlling, hosting, disposing of, processing, analyzing, or otherwise handling.

Proxy Statement. “Proxy Statement” is defined in Section 3.4(g) of the Agreement.

Registered IP. “Registered IP” shall mean all Patents, Trademarks and Copyrights that are registered or issued under the authority of any Governmental Body, and all applications for any of the foregoing.

Regulatory Permit. “Regulatory Permit” shall mean all investigational new drug applications (as defined in 21 C.F.R. § 312.20 *et seq.*), new drug applications (as defined in 21 C.F.R. § 314.50), supplemental new drug applications (as defined in 21 C.F.R. § 314.70), establishment registrations (as defined in 21 C.F.R. § 207), and product listings (as defined in 21 C.F.R. § 207), all supplements or amendments thereto, and all comparable Governmental Authorizations.

Relative TSR Performance. “Relative TSR Performance” is defined in Section 1.6(g) of the Agreement.

Release. “Release” shall mean any presence, emission, spill, seepage, leak, escape, leaching, discharge, injection, pumping, pouring, emptying, dumping, disposal, migration, or release of Hazardous Materials from any source into or upon the environment.

Representatives. “Representatives” shall mean officers, directors, employees, attorneys, accountants, investment bankers, consultants, agents, financial advisors, other advisors and other representatives.

Restricted Person. “Restricted Person” shall mean any person or entity identified on the U.S. Department of Commerce’s Denied Persons List, Unverified List or Entity List or the U.S. Department of State’s Debarred List.

rTSR PSAs. “rTSR PSAs” is defined in Section 1.6(g) of the Agreement.

Sarbanes-Oxley Act. “Sarbanes-Oxley Act” is defined in Section 3.4(a) of the Agreement.

Sanctions. “Sanctions” shall mean economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by relevant Governmental Bodies, including, but not limited those administered by the U.S. government through the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, the United Nations Security Council, the European Union, or Her Majesty’s Treasury of the United Kingdom.

Sanctioned Person. “Sanctioned Person” shall mean any Person that is the target of Sanctions, including, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, by the United Nations Security Council, the European Union, or Her Majesty’s Treasury of the United Kingdom, (b) any Person located, organized or resident in a Sanctioned Territory, or (c) any Person directly or indirectly owned or controlled by any such Person or Persons described in the foregoing clauses (a) and (b).

Sanctioned Territory. “Sanctioned Territory” shall mean, at any time, a country or territory which is itself the subject or target of any country-wide or territory-wide Sanctions (at the time of this Agreement, Crimea, Cuba, Iran, North Korea, Syria, the so-called Donetsk People’s Republic, and the so-called Luhansk People’s Republic).

SEC. “SEC” shall mean the United States Securities and Exchange Commission.

Securities Act. “Securities Act” shall mean the Securities Act of 1933, as amended.

Seller Parties. “Seller Parties” is defined in Section 9.5(d) of the Agreement.

Shares. “Shares” is defined in Section 1.3(a)(i) to the Agreement.

Specified Agreement. “Specified Agreement” is defined in Section 8.1(e) of the Agreement.

Stockholder Litigation. “Stockholder Litigation” shall mean any Legal Proceeding asserted, threatened or commenced against the Company or any of its directors or officers in such individual’s capacity as such by any stockholder of the Company (in its capacity as such or through a derivative action) challenging or seeking to restrain or prohibit the consummation of the Transactions.

Stockholder Meeting. “Stockholder Meeting” is defined in Section 5.3(a) of the Agreement.

Strategic PSAs. “Strategic PSAs” is defined in Section 1.6(g) of the Agreement.

Subsidiary. An Entity shall be deemed to be a “Subsidiary” of another Person if such Person directly or indirectly owns, beneficially or of record, (a) an amount of voting securities or other interests in such Entity that is sufficient to enable such Person to elect at least a majority of the members of such Entity’s board of directors or other governing body, or (b) at least 50% of the outstanding or financial interests of such Entity.

Superior Offer. “Superior Offer” shall mean a bona fide, written Acquisition Proposal that the Board of Directors determines, in its good faith judgment, after consultation with outside legal counsel and its financial advisors, is reasonably likely to be consummated in accordance with its terms, taking into account all legal, regulatory and financing aspects (including certainty of closing) of the proposal and the Person making the proposal and other aspects of the Acquisition Proposal that the Board of Directors deems relevant, and if consummated, would result in a transaction more favorable to the Company’s stockholders (solely in their capacity as such) from a financial point of view than the Transactions (including after giving effect to proposals, if any, made by Parent pursuant to Section 6.1(b)(i)); *provided* that for purposes of the definition of “Superior Offer,” the references to “20%” in the definition of Acquisition Proposal shall be deemed to be references to “50.%.”

Surviving Corporation. “Surviving Corporation” is defined in Recital (A) to the Agreement.

Takeover Laws. “Takeover Laws” shall mean any “moratorium,” “control share acquisition,” “fair price,” “supermajority,” “affiliate transactions,” or “business combination statute or regulation” or other similar state anti-takeover laws and regulations.

Tax. “Tax” shall mean any federal, state, local, or foreign or other tax (including any net income tax, gross income tax, franchise tax, capital gains tax, capital stock tax, gross receipts tax, gross profits tax, branch profits tax, value-added tax, surtax, estimated tax, premium tax, windfall profit tax, environmental tax, license tax, occupation tax, employment tax, unemployment tax, national health insurance tax, social security tax, disability tax, universal social charge, pay-related social insurance (for the avoidance of doubt, including both employer and employee pay-related social insurance), excise tax, estimated tax, alternative or minimum tax, ad valorem tax,

transfer tax, registration tax, stamp tax, sales tax, use tax, service tax, property tax, business tax, withholding tax or payroll tax), add-on minimum tax, escheat, and unclaimed property tax, custom, impost, tariff, duty, levy, assessment, or other tax or charge in the nature of a tax, imposed, assessed or collected by or under the authority of any Governmental Body, together with any interest, penalties, surcharges or additions to tax with respect thereto.

Tax Return. “Tax Return” shall mean any return (including any information return), report, statement, declaration, estimate, schedule, form, election, certificate, claim, refund or other document or information filed or required to be filed with any Governmental Body in connection with the determination, assessment, collection or payment of any Tax and any attachments thereto or amendments thereof.

TCA. “TCA” shall mean the Irish Taxes Consolidation Act, 1997, as amended.

Termination Fee. “Termination Fee” is defined in Section 8.3(b)(iii) of the Agreement.

Trademarks. “Trademarks” is defined in the definition of Intellectual Property Rights.

Transactions. “Transactions” shall mean (a) the execution and delivery of the Agreement and (b) all of the transactions contemplated by the Agreement, including the Merger.

WARN. “WARN” is defined in Section 3.16(o) of the Agreement.

willful breach. “willful breach” is defined in Section 8.2 of the Agreement.

ANNEX I

**FORM OF
CERTIFICATE OF INCORPORATION OF THE SURVIVING CORPORATION**

Attached.

30815814

**FORM OF
CERTIFICATE OF INCORPORATION
OF
AERIE PHARMACEUTICALS, INC.**

ARTICLE ONE

The name of the corporation is Aerie Pharmaceuticals, Inc. (the "Corporation").

ARTICLE TWO

The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle, 19808. The name of its registered agent at such address is Corporation Service Company.

ARTICLE THREE

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended ("Delaware Law").

ARTICLE FOUR

The total number of shares of capital stock that the Corporation has authority to issue is one hundred (100) shares of Common Stock, par value \$0.01 per share.

ARTICLE FIVE

The Board of Directors shall have the power to adopt, amend or repeal the by-laws of the Corporation.

ARTICLE SIX

Meetings of stockholders may be held within or outside of the State of Delaware, as the by-laws of the Corporation may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the by-laws of the Corporation. Election of directors need not be by written ballot unless the by-laws of the Corporation so provide.

ARTICLE SEVEN

The Corporation shall provide indemnification and advancement of expenses as follows:

1. Actions, Suits and Proceedings Other than by or in the Right of the Corporation. The Corporation shall indemnify each person who was or is a party or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) (all such persons being referred to hereafter as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), liabilities, losses, judgments, fines (including excise taxes and penalties arising under the Employee Retirement Income Security Act of 1974), and amounts paid in settlement actually and reasonably incurred by or on behalf of Indemnitee in connection with such action, suit or proceeding and any appeal therefrom, if Indemnitee acted in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any

action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

2. Actions or Suits by or in the Right of the Corporation. The Corporation shall indemnify any Indemnitee who was or is a party to or threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that Indemnitee is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) and, to the extent permitted by law, amounts paid in settlement actually and reasonably incurred by or on behalf of Indemnitee in connection with such action, suit or proceeding and any appeal therefrom, if Indemnitee acted in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that no indemnification shall be made under this Article Seven, Section 2 in respect of any claim, issue or matter as to which Indemnitee shall have been adjudged to be liable to the Corporation, unless, and only to the extent, that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such expenses (including attorneys' fees) which the Court of Chancery of Delaware or such other court shall deem proper.

3. Indemnification for Expenses of Successful Party. Notwithstanding any other provisions of this Article Seven, to the extent that an Indemnitee has been successful, on the merits or otherwise, in defense of any action, suit or proceeding referred to in Article Seven, Sections 1 and 2, or in defense of any claim, issue or matter therein, or on appeal from any such action, suit or proceeding, Indemnitee shall be indemnified against all expenses (including attorneys' fees) actually and reasonably incurred by or on behalf of Indemnitee in connection therewith. Without limiting the foregoing, if any action, suit or proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to Indemnitee, (ii) an adjudication that Indemnitee was liable to the Corporation, (iii) a plea of guilty or nolo contendere by Indemnitee, (iv) an adjudication that Indemnitee did not act in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and (v) with respect to any criminal proceeding, an adjudication that Indemnitee had reasonable cause to believe his or her conduct was unlawful, Indemnitee shall be considered for the purposes hereof to have been wholly successful with respect thereto.

4. Notification and Defense of Claim. As a condition precedent to an Indemnitee's right to be indemnified, such Indemnitee must notify the Corporation in writing as soon as practicable of any action, suit, proceeding or investigation involving such Indemnitee for which indemnity will or could be sought. With respect to any action, suit, proceeding or investigation of which the Corporation is so notified, the Corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to Indemnitee. After notice from the Corporation to Indemnitee of its election so to assume such defense, the Corporation shall not be liable to Indemnitee for any legal or other expenses subsequently incurred by Indemnitee in connection with such action, suit, proceeding or investigation, other than as provided below in this Article Seven, Section 4. Indemnitee shall have the right to employ his or her own counsel in connection with such action, suit, proceeding or investigation, but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of Indemnitee unless (i) the employment of counsel by Indemnitee has been authorized by the Corporation, (ii) counsel to Indemnitee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the Corporation and Indemnitee in the conduct of the defense of such action, suit, proceeding or investigation or (iii) the Corporation shall not in fact have employed counsel to assume the defense of such action, suit, proceeding or investigation, in each of which cases the fees and expenses of counsel for Indemnitee shall be at the expense of the Corporation, except as otherwise expressly provided by this Article Seven. The Corporation shall not be entitled, without the consent of Indemnitee, to assume the defense of any claim brought by or in the right of the Corporation or as to which counsel for Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above. The Corporation

shall not be required to indemnify Indemnitee under this Article Seven for any amounts paid in settlement of any action, suit, proceeding or investigation effected without its written consent. The Corporation shall not settle any action, suit, proceeding or investigation in any manner which would impose any penalty or limitation on Indemnitee without Indemnitee's written consent. Neither the Corporation nor Indemnitee will unreasonably withhold or delay its consent to any proposed settlement.

5. **Advancement of Expenses.** Subject to the provisions of Article Seven, Section 6, in the event of any threatened or pending action, suit, proceeding or investigation of which the Corporation receives notice under this Article Seven, any expenses (including attorneys' fees) incurred by or on behalf of Indemnitee in defending an action, suit, proceeding or investigation or any appeal therefrom shall be paid by the Corporation in advance of the final disposition of such matter; provided, however, that the payment of such expenses incurred by or on behalf of Indemnitee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined by final judicial decision from which there is no further right to appeal that Indemnitee is not entitled to be indemnified by the Corporation as authorized in this Article Seven.

6. **Procedure for Indemnification and Advancement of Expenses.** In order to obtain indemnification or advancement of expenses pursuant to Article Seven, Sections 1, 2, 3 or 5, an Indemnitee shall submit to the Corporation a written request. Any such advancement of expenses shall be made promptly, and in any event within 30 days after receipt by the Corporation of the written request of Indemnitee, unless the Corporation has assumed the defense pursuant to Article Seven, Section 4 (and none of the circumstances described in Article Seven, Section 4 that would nonetheless entitle the Indemnitee to indemnification for the fees and expenses of separate counsel have occurred). Any such indemnification, unless ordered by a court, shall be made with respect to requests under Article Seven, Section 1 or 2 only as authorized in the specific case upon a determination by the Corporation that the indemnification of Indemnitee is proper because Indemnitee has met the applicable standard of conduct set forth in Article Seven, Section 1 or 2, as the case may be. Such determination shall be made in each instance (a) by a majority vote of the directors of the Corporation consisting of persons who are not at that time parties to the action, suit or proceeding in question ("disinterested directors"), whether or not a quorum, (b) by a committee of disinterested directors designated by majority vote of disinterested directors, whether or not a quorum, (c) if there are no disinterested directors, or if the disinterested directors so direct, by independent legal counsel (who may, to the extent permitted by law, be regular legal counsel to the Corporation) in a written opinion, or (d) by the stockholders of the Corporation.

7. **Remedies.** The right to indemnification or advancement of expenses as granted by this Article Seven shall be enforceable by Indemnitee in any court of competent jurisdiction. Neither the failure of the Corporation to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Corporation pursuant to Article Seven, Section 6 that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct. In any suit brought by Indemnitee to enforce a right to indemnification, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall have the burden of proving that Indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article Seven. Indemnitee's expenses (including attorneys' fees) reasonably incurred in connection with successfully establishing Indemnitee's right to indemnification, in whole or in part, in any such proceeding shall also be indemnified by the Corporation. Notwithstanding the foregoing, in any suit brought by Indemnitee to enforce a right to indemnification hereunder it shall be a defense that the Indemnitee has not met any applicable standard for indemnification set forth in Delaware Law.

8. **Limitations.** Notwithstanding anything to the contrary in this Article Seven, except as set forth in Article Seven, Section 7, the Corporation shall not indemnify an Indemnitee pursuant to this Article Seven in connection with a proceeding (or part thereof) initiated by such Indemnitee unless the initiation thereof was approved by the Board of Directors of the Corporation. Notwithstanding anything to the contrary in this Article Seven, the Corporation shall not indemnify an Indemnitee to the extent such Indemnitee is reimbursed from the proceeds of insurance, and in the event the Corporation makes any indemnification payments to an Indemnitee and such Indemnitee is subsequently reimbursed from the proceeds of insurance, such Indemnitee shall promptly refund indemnification payments to the Corporation to the extent of such insurance reimbursement.

9. Subsequent Amendment. No amendment, termination or repeal of this Article Seven or of the relevant provisions of the Delaware Law or any other applicable laws shall adversely affect or diminish in any way the rights of any Indemnitee to indemnification under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of such amendment, termination or repeal.

10. Other Rights. The indemnification and advancement of expenses provided by this Article Seven shall not be deemed exclusive of any other rights to which an Indemnitee seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), agreement or vote of stockholders or disinterested directors or otherwise, both as to action in Indemnitee's official capacity and as to action in any other capacity while holding office for the Corporation, and shall continue as to an Indemnitee who has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of Indemnitee. Nothing contained in this Article Seven shall be deemed to prohibit, and the Corporation is specifically authorized to enter into, agreements with officers and directors providing indemnification rights and procedures different from those set forth in this Article Seven. In addition, the Corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification rights to other employees or agents of the Corporation or other persons serving the Corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article Seven.

11. Partial Indemnification. If an Indemnitee is entitled under any provision of this Article Seven to indemnification by the Corporation for some or a portion of the expenses (including attorneys' fees), liabilities, losses, judgments, fines (including excise taxes and penalties arising under the Employee Retirement Income Security Act of 1974) or amounts paid in settlement actually and reasonably incurred by or on behalf of Indemnitee in connection with any action, suit, proceeding or investigation and any appeal therefrom but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify Indemnitee for the portion of such expenses (including attorneys' fees), liabilities, losses, judgments, fines (including excise taxes and penalties arising under the Employee Retirement Income Security Act of 1974) or amounts paid in settlement to which Indemnitee is entitled.

12. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) against any expense, liability or loss incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under Delaware Law.

13. Savings Clause. If this Article Seven or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnitee as to any expenses (including attorneys' fees), liabilities, losses, judgments, fines (including excise taxes and penalties arising under the Employee Retirement Income Security Act of 1974) and amounts paid in settlement in connection with any action, suit, proceeding or investigation, whether civil, criminal or administrative, including an action by or in the right of the Corporation, to the fullest extent permitted by any applicable portion of this Article Seven that shall not have been invalidated and to the fullest extent permitted by applicable law.

14. Definitions. Terms used herein and defined in Section 145(h) and Section 145(i) of Delaware Law shall have the respective meanings assigned to such terms in such Section 145(h) and Section 145(i).

ARTICLE EIGHT

Except to the extent that the Delaware Law prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal. If Delaware Law is amended to permit further elimination or limitation of the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by Delaware Law is so amended.

ARTICLE NINE

The Corporation expressly elects not to be governed by §203 of Delaware Law

ARTICLE TEN

The Corporation reserves the right to amend this Certificate of Incorporation in any manner permitted by Delaware Law and all rights and powers conferred herein on stockholders, directors and officers, if any, are subject to this reserved power.

* * * * *

**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 27, 2023

/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 27, 2023

/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, 2022, 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 27, 2023

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, 2022, 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 27, 2023



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 27, 2023 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 27, 2023