Businesses - Alcon Laboratories, Inc.

Mexico and "tight" oil fields in Texas — as well as

Kosnert said. The Black Sea sector covers 4,300 square miles between 1,000 and 2,000 yards

1/2

August 31, 2011

Alcon moving 100 jobs to Fort Worth in consolidation

2) Marketing and administration jobs are coming to the area from Atlanta.

By Jim Fuquay
jfuquay@star-telegram.com

8/31/11

Alcon Labs is moving about 100 positions from Atlanta to Fort Worth as the company consolidates its eye-care headquarters operations.

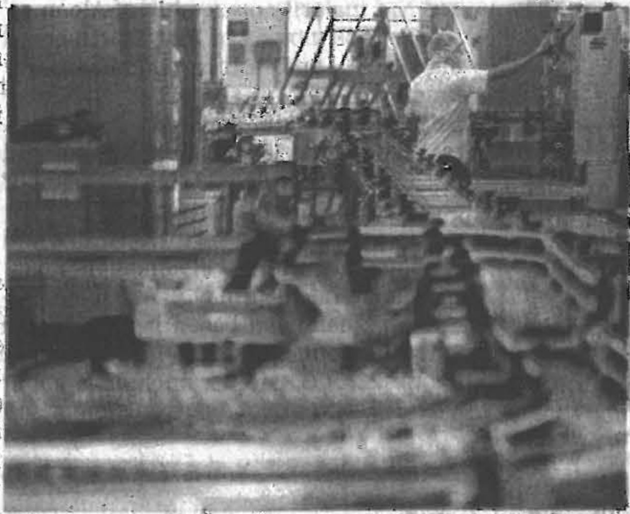
The move follows the acquisition of Alcon by Switzerland-based Novartis in April. As part of the merger, Alcon became the Novartis eye-care division, incorporating the company's Ciba Vision and Novartis Ophthalmics units. Nestle had had majority ownership of Alcon.

The jobs moving to Fort Worth are in marketing and other administrative functions that were part of Atlanta-based Ciba Vision, which produces contact lenses and lens-care products, said Bettina Maunz, Alcon's vice president of corporate communications. Ciba Vision's contact lens manufacturing and research operations will remain in Atlanta, Maunz said Tuesday.

Alcon has been based in Fort Worth since its founding in 1945. It employs about 22,000 people, including about

More on ALCON, 2C

2/2


An employee works on one of Alcon Laboratories' manufacturing lines. The company employs 2,400 at its Fort Worth campus.
Star-Telegram archives

Alcon

Continued from 1C

2,400 at its campus just south of Interstate 20 and east of Interstate 35W, Maunz said.

In a presentation Tuesday to a Fort Worth Chamber of Commerce lunch group, Franck Leveiller, vice president of research and development for Alcon, said the company expects to spend $4 billion on research in the next five years. He also said the company expects to double sales in the next decade.

With the consolidation of the other Novartis eye-care operations in Alcon, the company's operations will be divided among surgical instruments, pharmaceuticals and contact lenses, said Leveiller, who was named to his position in June.

Alcon reported sales of $5 billion in the year's first six months, up 11 percent from a year ago, according to Novartis' latest earnings release. It contributed $1.8 billion in operating income during the period, up 10 percent.

Novartis reported $28.9 billion in sales and $6.9 billion in net income during the first six months.

Jim Fuquay, 817-390-7552

Business Star-Telegram
8-31-11

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—Lee Angle Photo.

PLAN NEW PLANT—R. D. Alexander, left, vice president, and W. C. Conner, president of Alcon Laboratories, are shown as they announce plans to build a $500,000 plant on the South Freeway.

Laboratory Will Be Built On South Freeway Plot

Purchase of an 85-acre tract on the South Freeway as a site for construction of a $500,000 pharmaceutical laboratory was announced Wednesday by W. C. Conner, president of Alcon Laboratories. The price was reported to be $93,000.

The site, on the east side of the Freeway near the intersection with the Southwest Loop, was sold by Mrs. Dora E. Gosney, who with her husband, O. L. Gosney, lives near Everman. The property has been under lease to Russell Field, a private airfield.

Conner said the new laboratory building will be designed by John W. Floore, architect, for the highly specialized production of sterile drug preparations for use in the eye, ear, nose and throat field of medicine.

The air-conditioned building will be free of dust and bacteria. In addition to the laboratories, the building will house general offices of the firm, now located at 1400 Henderson.

Conner said construction will get under way as soon as current lease commitments permit. Alcon plans to make a part of the 85-acre site available for industrial development.

Alcon had its start here soon after the end of World War II. Two pharmacists, Conner and R. D. Alexander, vice president, formed a partnership in founding the Alcon Prescription Laboratory on W. 7th.

Rapid growth of the business brought about separation of manufacturing and retailing before the end of the first year's operation. Alcon Laboratories was incorporated with Harold C. Johnson as sales manager. The retail pharmacy continued in operation as a separate business with Conner and Alexander as co-owners until it was sold in 1954.

DAN B. LARUE, C. P. A.
E. M. LAWRENCE, C. P. A.
EMIL G. WOOD, C. P. A.
GUY M. KELLEY, JR., C. P. A.

LARUE, LAWRENCE, WOOD & KELLEY
CERTIFIED PUBLIC ACCOUNTANTS
W. T. WAGGONER BUILDING
FORT WORTH 2, TEXAS

FORT WORTH
DALLAS
ABILENE

June 10, 1955

Board of Directors
Alcon Laboratories, Inc.
Fort Worth, Texas

We have examined the balance sheet of Alcon Laboratories, Inc. as of April 30, 1955, and the related statements of income and earnings retained in the business for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

During the year a plan of recapitalization and reorganization as to the financial structure of the Company was approved by the Board of Directors. All preferred stock and bonds payable were transferred out for common stock, thereby cancelling the preferred stock and bonds. The Company's authorized stock was increased to 475,000 shares of common stock only, with all old common stock being called in and new common stock being issued therefor. The new stock was issued two for one for the old common stock as the result of a stock split previously approved. The remaining available shares, except 30,000 shares to be sold at a later date, were put up for sale. At the present time a substantial amount of such shares have been sold.

At the time of calling in all preferred stock the total cumulative dividends on such stock was paid in full in the amount of $12,421.50.

On March 1, 1955 a profit sharing trust creating a retirement plan for employees of the Company was entered into and the Company made an initial deposit to the trust in the amount of $500.00. Briefly the plan provides that the Company contribute to the trust annually an a mount in excess of the first $40,000.00 in profits, not to exceed 10% of the annual compensation of the covered employees; plus any carry-overs permitted as an income tax deduction by law. Each employee must contribute to the trust 5% of his total salary or wage on a monthly basis. The trust provides a retirement plan for the employee through an investment in insurance contracts and also an auxiliary investment account. The funds in the auxiliary investment account can be invested according to the limitations set forth in the trust agreement. Earnings from such investments become a pro rata increase in the vested amount owned in the trust by the various qualified participants. The trust agreement has not yet been submitted or approved by the Director of Internal Revenue. However, when such approval has been granted the contributions made to the trust by the Company will be deductible as an expense for Federal Income tax pusposes.

On April 22, 1955 the Company acquired approximately 84 acres of land about seven miles South of downtown Fort Worth on the North-South Expressway. The total cost of such land in the amount of $92,719.70 is included in the balance sheet as a non-current asset. However, it is intended that only about twenty acres of the land is to be used by the Company at any time. This leaves approximately 64 acres which will be hald for resale in the future when such sales and sale prices appear to be most advantageous to the Company.

OPINION

In our opinion, the accompanying balance sheet and statements of income and earnings retained in the business present fairly the financial position of Alcon Laboratories, Inc. at April 30, 1955, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceeding year.

LARUE, LAWRENCE, WOOD & KELLY

BY Guy M. Kelley Jr.
CERTIFIED PUBLIC ACCOUNTANT

ALCON LABORATORIES, INC.
STOCKHOLDERS MEETING

The annual meeting of the Stockholders of Alcon Laboratories, Inc. was held Tuesday, June 14, 1955 at the Cattleman's Cafe, Fort Worth, Texas with the following Stockholders present: Mr. W. C. Conner, Mr. R. D. Alexander, Mr. Harold C. Johnson, Mr. D. L. Merrill, Mr. R. W. Carter, Mr. W. A. Padgett, Mr. H. L. Abbott, Mr. Dave, Pitts, Mr. C.H. Richardson, Doctors Ronald Smith, Noel Bailey, W. H. McKenzie, Walter West, W. N. Jenkins, John Garnett, William Skokan, Keith Barnes, John Arrington, Harold Beasley, A. E. Jackson, Oscar Marchman, DeWitt Neighbors and Mrs. Robert Newton.

The meeting was called to order by the President and the minutes of the called meeting of December 17, 1954 were read and there being no corrections or additions were approved as read.

The President welcomed the new Stockholders and introduced and commented briefly on the various department heads who were present. The members of the Board of Directors were also recognized, with the President expressing appreciation for their guidance and support.

Financial statements for the fiscal year ended April 30, 1955 were distributed with the President commenting that the report was very detailed and he felt a suggestion in order to the Board of Directors that in the future these reports be more condensed. He further commented that the reports were of a highly confidential nature and hoped they would be maintained as such.

The President pointed out that the sales quota of $615,000 for the year was $100,000 short, which would have contributed approximately $60,000 more in profits. He commented further that the fact that $14,000 worth of merchandise was invoiced in April but not shipped until May also reduced the net profit, since the auditors recommended that it be included in May business for the purpose of reducing income taxes and bonuses.

The 1955 - 1956 sales quota of $755,000 was presented on a blackboard with the various departmental budgets outlined and commented on briefly, which reflected a profit of $73,800 after taxes. The President commented the goal for the year just started is one of consolidation, with an intensified training program and decentralization of decision.

The President commented that the management consultant firm with whom we spent approximately $8,000 last year had given us some very valuable counseling in management - and after a rather careful appraisal of our operation it was their opinion that the firm was putting an additional $100,000 into our growth factor for the past year over and above what you would normally expect.

The President announced the purchase of 85 acres of land for a plant site at a total investment of $93,000 - with $30,000 having already been paid and the balance to be paid over a four year period. Approximately 20 acres will be needed for the plant and the Directors believe it might be desirable to dispose of the excess acreage.

It was pointed out by the President that the firm is now seeing a firm upsurge in business and that he felt the prestige growth had been remarkable.

A discussion was held relative to the many inquiries from foreign countries asking about distribution, with the President advising that the firm is now negotiating with an exporting firm and hope to be in a position shortly to do some exporting in a few months, and feeling that there is real interest - particularly in the Latin American countries.

The President called attention to the fact that the terms of five Directors will expire on December 31, 1955. Doctor Gàrnett moved re-election of the five Directors; namely, Mr. W. C. Conner, Mr. R. D. Alexander, Mr. Harold C. Johnson, Doctor Walter West and Doctor James N. Walker. Motion was seconded by Doctor Wiggins and carried unanimously.

Appreciation was again expressed by the President to the Directors for their faithfulness in attending meetings with the further comment that he felt they had helped a great deal in the progress the firm has made.

There being no further business the meeting adjourned.

W. C. Conner
PRESIDENT

Mrs. Robert Newton Jr.
ASSISTANT SECRETARY

Firm Begins $1,000,000 Job Of Expansion

A Chamber of Commerce breakfast and a groundbreaking ceremony Saturday morning signaled the start of the first unit of a $1,000,000 group of buildings to be built for Alcon Laboratories, Inc.

The company is a pharmaceutical manufacturer specializing in nasal preparations and sterile eye drops.

The new facilities will be built on an 87-acre tract on the South Expressway just north of Russell Field. The building now starting construction will house manufacturing and shipping. Two other buildings for research laboratories and general offices will be built later.

The 20,000 square feet plant is designed for twin automatic assembly lines for making medicinal preparations. Elaborate air-conditioning and air-filtering equipment is being custom made

Turn to Firm on Page 8.

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BIG PLANS — Looking over a sketch of Alcon Laboratories, Inc., buildings are, left to right in rear, Mayor McCann and William C. Conner, president of the company. Seated are, left to right, Robert D. Alexander, Alcon vice president, and Clay Berry, president of the Chamber of Commerce.

FIRM BEGINS $1,000,000 PLAN

Continued from Page 1.

bottles used for packaging the eye drops will go through a maze of complex conveyors and processing equipment for washing, sterilization, filling, sealing and labeling. Windows opening into the hallways will allow visitors to observe the complete operation.

The three buildings when completed will form an interior courtyard and will be built in such a manner as to permit future expansion in three directions.

Third Plans.

The building plans are the third set drawn up by officials of Alcon in recent years. The company has grown so fast that two earlier sets were outmoded before construction could begin, officials of the company said.

Officers of the company were guests of honor Saturday morning at a breakfast at Hotel Texas sponsored by the Chamber of Commerce. Members of the City Council, the head officers of Fort Worth's major utility companies and banks also attended.

At the groundbreaking ceremony later, Clay Berry, president of the Chamber of Commerce, called the new facilities "one of the most significant industrial developments we've had come along in a long time."

He said Alcon Laboratories has grown "from a humble and modest beginning here a little over 10 years ago to an organization of international importance with distribution throughout the United States and in 18 foreign countries."

Recognition.

"In addition to its payroll and economic importance to Fort Worth, which has been substantial, Alcon Laboratories has brought international publicity and recognition to our city and has caused Fort Worth to become recognized as one of the pharmaceutical manufacturing centers of the nation," he said.

"This growth and progress has not come automatically nor can it be credited to luck. The company has grown because of the vision, planning, determination and hard work of its management team and the devotion, spirit, personal pride and hard work of its employes and associates."

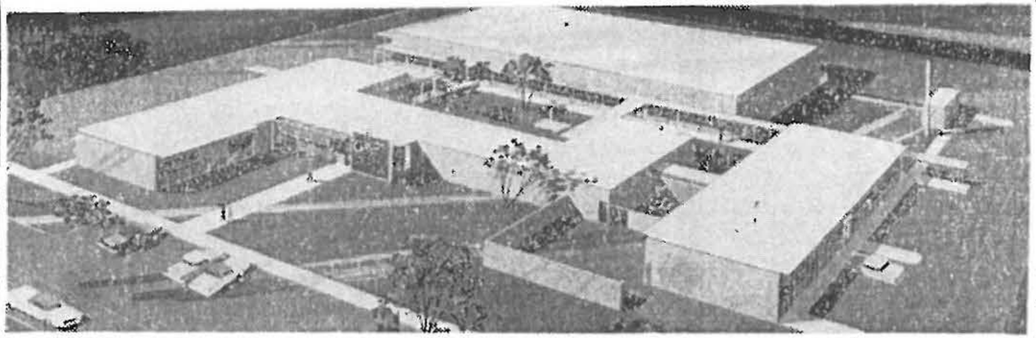
The company had its beginning in 1944 when W. C. Conner and R. D. Alexander established a prescription laboratory in downtown Fort Worth. The next year, Harold C. Johnson joined the firm and work began on a nasal decongestant now known as Al-con-efrin Nasal Drops.

Specialization.

In 1947 the firm began to specialize in pharmaceutical preparations for the eye, ear, nose and throat.

Alcon today manufactures a total of 45 nose and eye preparations and is still the only manufacturer of such a speciality line with national distribution. The company's annual payroll, approximately $15,000 in 1947, now is more than $500,000. Sales over the 10-year period have expanded with an average yearly increase of 43.6 per cent.

Conner is president of the company. Alexander is vice president and director of sales and Johnson is vice president and di-[rector of ...]



ALCON FACILITIES — This is Architect John W. Floore's sketch of the $1,000,000 group of buildings which will be built on the South Freeway for Alcon Laboratories, Inc. Baughman Construction Company has the contract.

2 Tarrant firms on Fortune list

STAR-TELEGRAM

7 Jan 2003

Fortune magazine's newest "100 Best Companies to Work For" ranking includes two Fort Worth companies and a handful of other Metroplex employers.

Eye-care giant Alcon Laboratories moved up to No. 40 from its 2002 spot at No. 47. The company, which went public in April, has about 2,600 employees at its Fort Worth headquarters.

AmeriCredit, which has more than 5,000 employees despite recently cutting 350 workers, landed at No. 43 on the 2003 rankings. The lender has about 2,300 workers in Tarrant County — with 600 at its downtown Fort Worth headquarters and another 1,700 at two Arlington buildings.

The compilers of *Fortune's* annual rankings praised companies on the list for offering workers innovative perks and for handling layoffs in an upstanding manner during 2002's economic downturn. They considered more than 1,000 businesses and surveyed thousands of employees at 269 companies.

The Container Store, the Dallas-based retailer that is known for some of the highest wages in the industry, once again nabbed the No. 2 spot on *Fortune's* list. The company ranked No. 1 or No. 2 in each of the previous three years.

"The year has been challenging for many industries — especially the retail industry — and we feel incredibly fortunate to have not only maintained our position as an employer of choice, but also the company's strong sales and earnings, as well as our commitment to the principled way we do business," Chief Executive Kip Tindell said in a written statement.

Financial-services firm Edward Jones topped the 2003 list.

Other Metroplex companies that made the cut included: TDIndustries, No. 7; VHA, No. 49; Kimberly-Clark, No. 69; and Texas Instruments, No. 95.

The entire list is supposed to be available online today at www.fortune.com.

Business
Alcon

Business
Alcon

7 area companies rated among best to work for

By FEMI LEWIS
STAR-TELEGRAM STAFF WRITER

Seven Metroplex companies have made *Fortune* magazine's annual list of "100 Best Companies to Work For," and two made the top five.

Fort Worth-based Alcon Laboratories was ranked for the fourth consecutive year, coming in 47th. Last year, the company ranked 34th.

"This is a company that respects and values its employees," said Jack Walters, Alcon's vice president of human resources.

The Container Store of Dallas, which held the No. 1 spot for two years in a row, dropped to No. 2 this year. But the slight decline doesn't bother Container Store officials.

"We are really proud that we've been at the top," said Garrett Boone, chairman and co-founder. "It's a wonderful list, but we got there not from focusing on the list, but just working hard."

This past year, The Container Store expanded its employee benefits, offering a 100 percent match for 401(k) plans. The company also added medical, dental and vacation for its part-time employees, Boone said.

Dallas-based TDIndustries, a construction company that specializes in heat installation and air conditioning in tall buildings, ranked No. 4.

Creativity, teamwork and extensive on-the-job training are just a few of the attributes that *Fortune* used to rank the companies.

WORKPLACE Alcon Laboratories of Fort Worth makes *Fortune's* list of "100 Best Companies to Work For" for the fourth year.

To make the list, companies had to submit a detailed application and distribute a confidential survey to 150 randomly selected employees.

"Even in a time that is difficult for business, you've got to focus on employees," said Betty Purkey, manager of Texas Instruments' work/life program. "Let employees know they are valued."

TI ranked 95th.

Employees at Edward Jones, a St. Louis-based stockbroker, nudged The Container Store from the top perch. A full 97 percent of surveyed employees at that firm praised the company for its honesty in a difficult economic year.

Voluntary Hospital Association ranked 38th and Kimberly-Clark ranked 92nd. Both companies are based in Irving.

At The Beck Group, company officials increased employee training and avoided layoffs by reorganizing departments.

The result: The Dallas-based architecture, real estate and construction services firm moved up to No. 17 on the list from last year's rank of 29.

"When employees are training and developing, it increases morale and enthusiasm in an organization," said Jerry Cooper, a company managing director.

Best of the Metroplex

The seven Metroplex companies that have made Fortune magazine's annual list of "100 Best Companies to Work For," their rank, revenues in the millions and total number of employees:

The Container Store, Dallas
Rank: 2
Revenues: $225
Employees: 1,677

TDIndustries, Dallas
Rank: 4
Revenues: $205
Employees: 1,368

The Beck Group, Dallas
Rank: 17
Revenues: $995
Employees: 649

VHA, Irving
Rank: 38
Revenues: $442
Employees: 1,416

Alcon Laboratories, Fort Worth
Rank: 47
Revenues: $2,554
Employees: 5,994

Kimberly-Clark Corp., Irving
Rank: 92
Revenues: $13,982
Employees: 22,449

Texas Instruments, Dallas
Rank: 95
Revenues: $11,875
Employees: 17,897

24 Jan 2002

Star-Telegram
July 13, 2014

1/2

$35 million data center to be built at Alcon site

Novartis, eye-care company's parent, says Fort Worth facility will serve the Americas

By Sandra Baker
sabaker@star-telegram.com

Novartis, which owns Alcon Laboratories, will begin construction soon on a $35 million global data center at Alcon's campus in south Fort Worth that will serve the Swiss pharmaceutical giant's operations in North America and South America.

The project is the latest investment in Fort Worth since Novartis acquired Alcon, a producer of eye-care surgical products and pharmaceuticals, in 2011. Fort Worth was chosen as the site for the data center last year after Novartis conducted a study to compare potential locations, said Elizabeth Harness Murphy, an Alcon spokeswoman.

"Novartis is pleased to have the city of Fort Worth become one of its two primary global data centers, dedicated to serve its operations in the Americas," she said in a statement. "This move further reinforces Novartis's commitment to the community where Alcon is headquartered."

Murphy said the 10,000-square-foot data center will be

More on NOVARTIS, 10B

Novartis

Continued from 1B

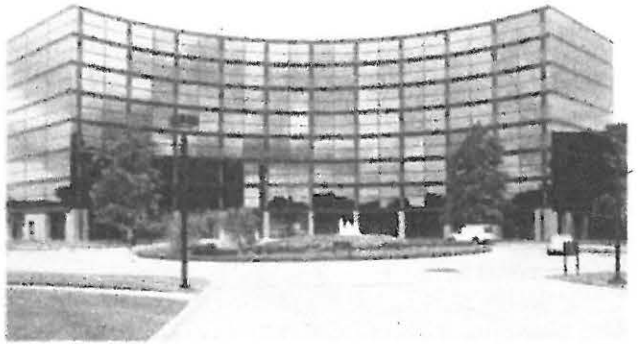
built near Alta Mesa Boulevard at Alcon's campus on the east side of Interstate 35W and south of Interstate 20. It is scheduled to be completed in the fall of 2015, she said.

Novartis also operates a data center in Basel, Switzerland, which serves its operations in Europe, the Middle East and Africa.

In addition to Alcon, Novartis has 58 locations in the United States, including its generics business Sandoz, the Novartis Institutes for Biomedical Research and Novartis administrative offices.

Murphy offered few details about the facility, saying it will be "industry-leading," and requiring "highly specialized personnel for design and construction."

Murphy said Alcon, which has expanded employment in Fort Worth since it was acquired by Novartis, would not be adding new jobs for the data center at this point. Alcon has about 4,500 employees in Fort Worth.



The Fort Worth council approved a tax abatement for Alcon Laboratories in 2011 and has amended it to include the data center.
Star-Telegram archives

In January, the Fort Worth City Council amended a tax abatement agreement it approved for Alcon in 2011 establishing a reinvestment zone for the campus and granting an 80 percent abatement on incremental real and personal property taxes for 10 years.

At that time, Alcon said it was only adding a Finance Service Center for the company's North American operations. Hundreds of employees were moved to Fort Worth after the sale to Novartis as its Ciba Vision and Novartis Ophthalmic operations were integrated into Alcon.

Alcon was expected to invest at least $11 million in the expansion, with $3 million on new facilities and the remainder in business personal property by Dec. 31, 2013. The amendment added the new global data center, which city records show will be a minimum investment of $30 million in real property and $4.7 million in business personal property.

Because the first phase of the abatement was to be completed by Dec. 31, 2013, the city will conduct its first audit of the tax abatement this year and award any payment under the agreement in 2015.

In May, Alcon Labs laid off about 200 employees who handled general and administrative functions as part of a companywide cost-cutting measure to reduce its workforce by about 2 percent. Alcon employs more than 25,000 workers in 75 countries.

In April, Novartis named Jeff George, 40, an executive in its Sandoz generic drugs division, as president of Alcon Labs to succeed Kevin Buehler, who is retiring.

In April 2013, Novartis closed its Institutes for BioMedical Research group at the Alcon campus, moving that operation to Cambridge, Mass. About 120 employees were affected by that move.

Sandra Baker, 817-390-7727
Twitter: @SandraBakerFWST

Business
Alcon
Cagle

11 March 2008
FWS-T

ALCON | CHIEF SCIENTIFIC OFFICER

After great run, time to leave

11 March 2008

By **MARIA M. PEROTIN**
mperotin@star-telegram.com

When Gerald Cagle joined Alcon in 1976, the scientist's high-tech work space amounted to a bench in a laboratory.

The company's research team shared a building with a couple of other departments. And Alcon was selling roughly $65 million in products annually.

It's a wonder he still recognizes the place.


Cagle

Cagle, who rose through the ranks to chief scientific officer overseeing Alcon's research and development efforts, said the company has expanded enormously during his tenure — largely because of executives' decision to focus almost exclusively on eye-care drugs and equipment.

Alcon expects to post about $6.2 billion in global sales this year. And it has one of the world's largest ophthalmic-research endeavors.

"The company has just grown disproportionately to what I think anybody would've anticipated," Cagle said Monday. "Today, we have something approximating 750,000 square feet of research and development space."

After 32 years of service, Cagle plans to walk away from that space in the summer.

On Monday, he announced plans to retire in June at age 64.

New leadership

Dr. Sabri Markabi will take over as senior vice president of research and development this month. Markabi, who was educated in Syria and France, has worked for about 17 years at Novartis and an associated company. He has held positions in France, Switzerland and New Jersey and was previously global head of development for the ophthalmic-business unit.

Cagle's tenure

Under Cagle's leadership, Alcon's research and development group has grown to 1,300 employees in 18 countries. The company has developed products including allergy drugs Patanol and Pataday, antibiotic treatment Vigamox, TobraDex for eye infections and inflammation, the Opti-Free line of disinfecting solutions and eye-surgery devices.

For the most part, Alcon has concentrated on creating products in its own research pipeline instead of acquiring technology invented by other businesses.

Retirement

Cagle, a native Texan, has degrees from Wayland College and the University of North Texas. He holds several patents for technology associated with Alcon products. He has been married for about 29 years and has two sons. He says he plans to stay in Fort Worth and remain active in organizations including Tech Fort Worth and the governor's emerging-technology advisory committee. He also hopes to develop some new pastimes.

"I don't have a lot of hobbies," he said. "Alcon has been a very consuming hobby for the last 32 years."

MARIA M. PEROTIN, 817-390-7339

Journal looks at how market will end year

What's putting a winter chill on the stock market's fall rally? *The Wall Street Journal Sunday* takes a look at what's behind the December slide in stocks and how the market is likely to finish out the year.

Money

Alcon 1st in U.S. with improved Lasik system

Mitchell Schnurman

COMMENTARY

Alcon Labs missed the first growth spurt in laser eye surgery, but it may lead the next one.

Two years ago, the Fort Worth eye-care company leaped into the Lasik business just as it was peaking. Alcon paid a hefty premium to acquire a laser maker and then watched helplessly as the economy and industry went south.

That's not how a $948 million investment is supposed to pay off.

SCHNURMAN **This time, the Fort Worth company is ahead of the curve in the laser eye surgery business.**

This is more like it: Alcon's next-generation laser system was recently the first to be approved by U.S. regulators, holding out the promise of fewer side effects and sharper vision.

Those improvements are likely to spur demand for the new Lasik and perhaps make it a growth story again.

A Louisiana surgeon was scheduled to use the new Alcon system today in the first commercial procedure in the United States.

That puts Alcon three to six months ahead of rivals Visx and Bausch & Lomb in the U.S. in "wavefront" technology and gives it a chance to pick up market share in the near term.

More importantly, it ensures that Alcon will be in the middle of the game when patients are clamoring for the latest Lasik innovation.

"Down the road, we expect this to become the standard for refractive surgery," said Cary

More on SCHNURMAN on 7C

FROM 1C

SCHNURMAN

Continued from 1C

Rayment, an Alcon senior vice president.

The process, also called custom Lasik, uses new technology to create a 3-D map of a patient's eye and direct the laser to correct more visual distortions. Conventional Lasik treats the surface of the eye, but the wavefront system also goes inside the eye.

Halos, star bursts and other night-vision problems, which have troubled many Lasik patients, were virtually eliminated in some trials with the new system, one doctor said.

And that could be a boon for the market.

"People care about price, but safety is the No. 1 issue," said Dr. Stephen Brint, an eye surgeon in Metairie, La. "The primary reason for not having Lasik is the fear that it could make your vision worse."

Brint has been testing Alcon's wavefront system for two years, and he begins treating regular patients with the system this week.

In his practice, he said, about 15 percent of patients mentioned night-vision problems after conventional Lasik; none of the 200 in the wavefront trials complained, he said.

In Canada, where wavefront laser surgery is already available, doctors have used it to fix side effects from earlier eye surgery. Custom Lasik also is being touted for pilots and athletes who want vision that's sharper than 20/20.

About 3 million Americans have had Lasik since it was approved in 1995, and another 50 million are good candidates for it, said Dave Harmon of Market Scope, a research firm near St. Louis.

Price remains a hurdle for many, because Lasik is elective surgery that's usually not covered by health insurance. The average U.S. procedure is about $1,600 an eye, Harmon said, and the new-generation process will command a premium of $300 to $500 per eye.

Brint charges $2,000 an eye, plus another $350 if the patient chooses the new procedure.

Lasik sales were meteoric in the late 1990s, when the economy was booming and people were first discovering that the outpatient surgery could end the need for glasses and contacts.

Then the value of stock portfolios plunged and news reports documented Lasik problems, many involving night vision.

U.S. procedures hit a wall. The number doubled almost every year and peaked at 1.4 million in 2000, before declining. The total has fallen steadily in the past two years, and is on pace to drop to 1.15 million this year, Harmon said.

In 2000, when Alcon bought Summit Autonomous of Waltham, Mass., 491 lasers were sold in the United States for eye surgery. About 130 are expected to be sold this year, Harmon said.

Alcon's results reflect those trends. In the third quarter, the company reported that revenue from refractive products fell nearly 28 percent to $14.4 million.

Several of the company's pharmaceuticals easily topped that sales number. Patanol, an eye treatment for allergies, generated $44 million in revenue in the last quarter, and that was just one drug.

Against that measure, the laser surgery business looks puny.

But there's hope that it could become a growth driver, especially with Alcon's sales force pushing the product around the globe. Alcon has 350 to 375 lasers installed worldwide, and each is a candidate for a wavefront upgrade — a software system and complementary equipment that cost about $55,000.

A new laser sells for about $350,000, Rayment said.

There's also a licensing payment. In the United States, doctors pay Alcon $150 each time they use the laser; with the new system, the royalty climbs to $250.

Alcon does more than $3 billion in annual sales, so it will take a seismic shift in buying patterns for Lasik to become a key contributor.

But eventually that could happen. Being the first to market with a hot new product is a good way to start.

Mitchell Schnurman's column appears Wednesdays and Sundays. (817) 390-7821 schnurman@star-telegram.com

18 Dec 2002

Alcon: 2 companies' eye-care businesses called complementary

CONTINUED FROM 1C

"This is the right time to simplify Alcon's ownership to eliminate uncertainties for employees and shareholders," Daniel Vasella, Novartis' chief executive, said in a statement.

"It will also allow us to strengthen innovation power by combining R&D efforts and grow our global market presence thanks to our complementary product portfolios," he said.

Novartis, based in Switzerland, bought 25 percent of Alcon from Nestle in April 2008 for $11 billion and took an option to buy the rest of Nestle's stake later.

Novartis said Monday that it will exercise its option to buy Nestle's 52 percent stake in Alcon for $28 billion in cash, then carry out a merger under the Swiss Merger Act with Alcon that would give Novartis control of the 23 percent of the stock held publicly.

The deal marks the third major Fort Worth company to change hands in recent months. In November, Warren Buffett's Berkshire Hathaway said it would pay $26.3 billion to buy out Burlington Northern Santa Fe, which it had built a 23 percent stake in. And last month, Exxon Mobil said it would buy XTO Energy for $31 billion in stock.

Price too low?

Novartis would pay a weighted average price of $180 per share for the Nestle stake, based on the agreement the companies reached in 2008.

For the minority public shares, Novartis would pay about $153 per share. Alcon shareholders would receive 2.8 Novartis shares for each Alcon share.

That price is a premium over what Novartis believes is a true value of $137 per share, before the stock traded up in recent weeks on speculation that Novartis would exercise its option, Raymund Breu, Novartis' chief financial officer, said in an interview Monday.

Alcon shares (ticker: ACL), traded on the New York Stock Exchange, dropped $9.37 to $154.98 after Monday's announcement.

Some analysts said Novartis is under pressure to raise its price for the minority shareholders.

"Our view is this offer is a very fair one," Breu said.

Nestle, as majority shareholder, commanded a higher premium, he said.

"They controlled the company," Breu said.

In its initial purchase from Nestle of a 25 percent stake in Alcon, Novartis paid $168 per share, or a 17 percent premium over what the two sides agreed was an "unaffected price" of $143.

Analyst Tim Anderson of Sanford C. Bernstein said Novartis may have the upper hand in a struggle with minority shareholders, as Swiss merger law requires only a simple majority of Alcon board votes and two-thirds of shareholders to support the deal.

Alcon said a committee composed of its three independent board members has engaged financial and legal counsel to evaluate the proposed merger.

The deal also requires regulatory approval.

"The businesses are very complementary," Breu said. "We don't expect major issues with the regulatory authorities."

Combining companies

Novartis executives said they expect to save up to $300 million within the first three years of the merger in efficiencies.

Breu said that the companies should be able to eliminate some duplicate functions and jobs but that the growth prospects in the combined businesses should end up adding jobs.

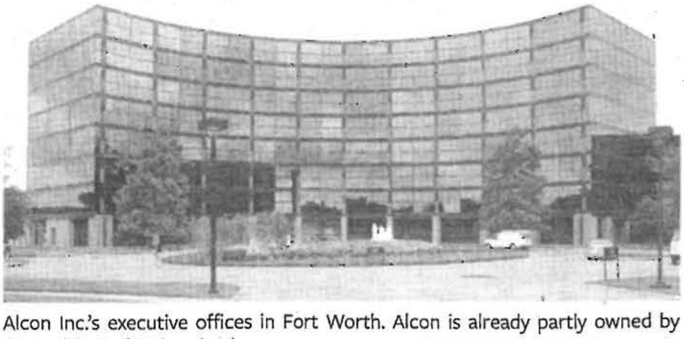
"This is good news for Fort Worth," Breu said. "Alcon will be the eye-care division of Novartis."

He added that it is too soon to say what the Fort Worth operation will look like after the merger.

"The detail will be left to Alcon management," Breu said. "We have to be patient."

Vasella told reporters in a conference call Monday that the takeover represents a "great strategic fit." The world market for eye-care products is seen as growing, as populations age in developed countries and as people in poorer countries get more access to products such as contact lenses.

Staff writer Scott Nishimura contributed to this report, which includes material from The Associated Press.



Alcon Inc.'s executive offices in Fort Worth. Alcon is already partly owned by Novartis AG of Switzerland. STAR-TELEGRAM ARCHIVES/KELLEY CHINN

The Novartis Institutes for Biomedical Research campus in Cambridge, Mass. BLOOMBERG NEWS/MICHAEL FEIN

The companies

Through its merger with Alcon, Novartis says it wants to reach 70 percent of the $26 billion global market for eye-care products and generate annual sales of $8.5 billion.

Alcon

Headquarters: Fort Worth and Huenenberg, Switzerland
2008 financials: $6.3 billion sales, $2 billion net profit
Employees: 15,000 people worldwide, 3,299 in Fort Worth, according to Fort Worth Major Employers Directory, Fort Worth Chamber of Commerce.
Businesses: Surgical equipment and devices; pharmaceuticals; contact lens solutions and other consumer products.
Surgical market: $2.9 billion sales, 2008. Global leader in products for cataract and vitreoretinal surgery.
Pharmaceuticals: $2.6 billion sales, 2008. Medications for eye ailments. Strong growth from product introductions and global expansion, "particularly in Japan, where three new medicines have been launched since 2006."
Consumer products: $800 million sales, 2008. Lens care products, over-the-counter dry eyedrops and ocular vitamins.
Post-merger with Novartis: "New eye-care division will have enhanced opportunities to accelerate expansion in high-growth regions, generate greater value from combined product portfolios and capitalize on strengthened research and development capabilities," Novartis said.

Novartis

Headquarters: Basel, Switzerland
2008 financials: $41.5 billion sales
Businesses: Pharmaceuticals (63 percent of 2008 sales); vaccines and diagnostics; Sandoz generic pharmaceuticals; consumer health, which includes CIBA Vision contact lens products. CIBA Vision had $1.7 billion in 2008 sales. Ophthalmic pharmaceuticals had $500 million in 2008 sales.
Research and development: Basel, Switzerland; Cambridge, Mass.; East Hanover, N.J.; Horsham, England; Shanghai, China.
Production: Basel, Switzerland; Grimsby, England; Huningue, France; Kundl, Austria; Kurtkoy, Turkey; Lincoln, Neb.; Ringaskiddy, Ireland; Schaftenau, Austria; Schweizerhalle, Switzerland; Singapore; Stein, Switzerland; Suffern, N.Y.

Sources: The companies, Fort Worth Chamber of Commerce, Star-Telegram research, The Associated Press

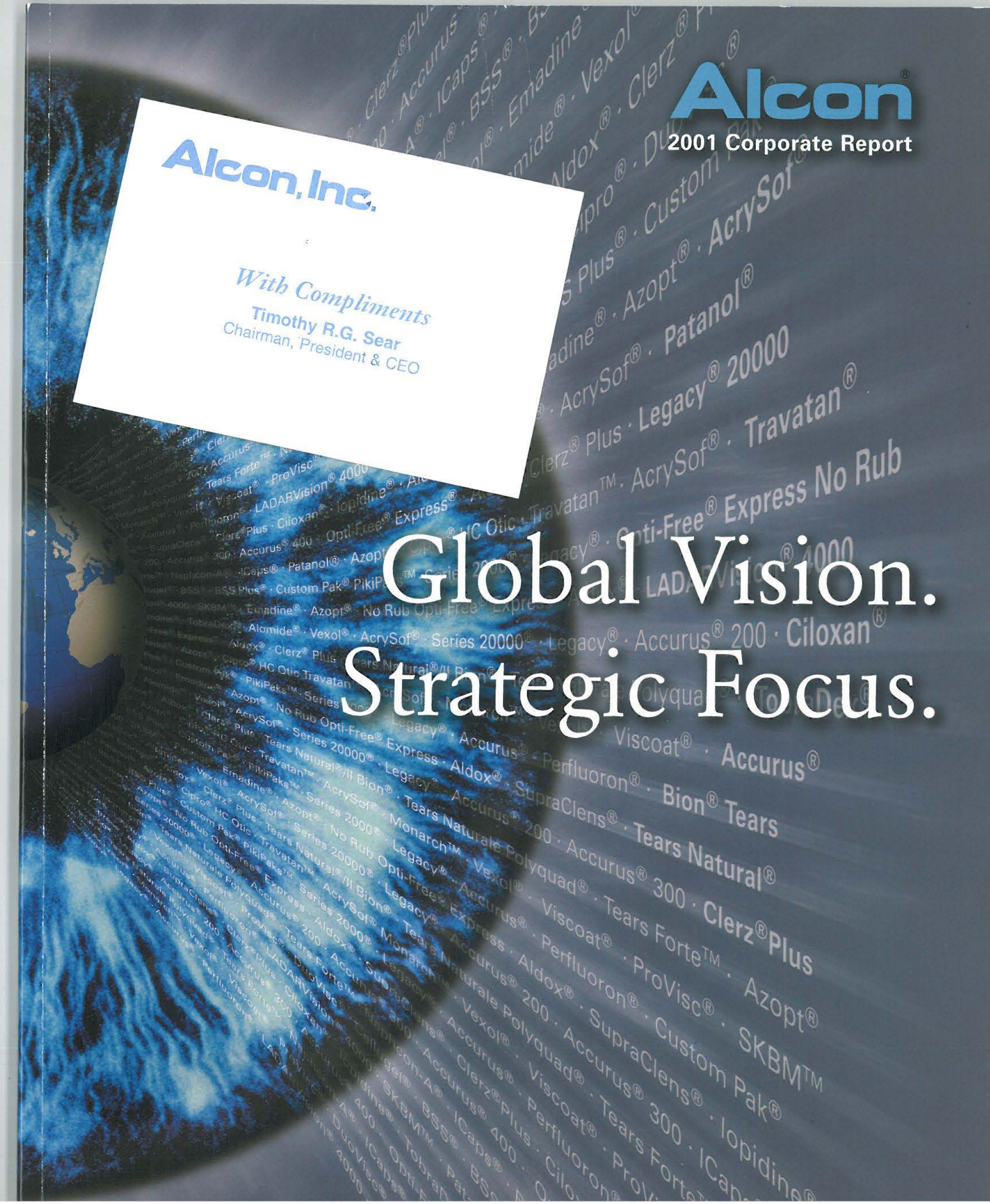
Alcon, Inc.

With Compliments

Timothy R.G. Sear
Chairman, President & CEO

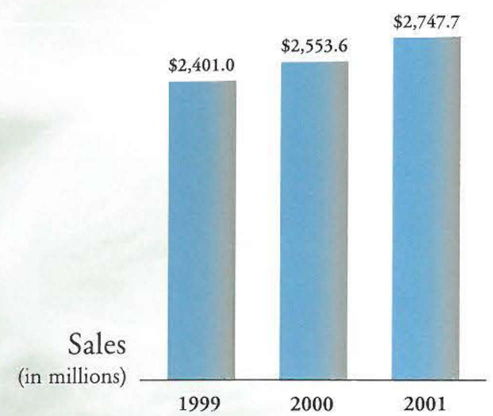
Alcon

2001 Corporate Report



Global Vision. Strategic Focus.

Alcon® At-A-Glance



Financial & Operating Highlights

(in millions, except share data)

Years ended December 31,	2001	2000	1999
Sales	$2,747.7	$2,553.6	$2,401.0
Cost of goods sold	798.3	749.7	719.1
Selling, general and administrative	953.7	855.8	805.2
Research and development	289.8	246.3	213.1
In process research and development	–	18.5	–
Amortization of intangibles	117.0	86.5	46.4
Operating income	588.9	596.8	617.2
Other income (expense):			
Gain (loss) from foreign currency, net	(4.8)	0.1	10.7
Interest income	46.6	44.1	13.7
Interest expense	(107.7)	(86.3)	(54.4)
Other	(9.1)	–	–
Earnings before income taxes	513.9	554.7	587.2
Income taxes	198.3	223.0	240.3
Net earnings	$ 315.6	$ 331.7	$ 346.9
Basic and diluted earnings per common share	$ 1.05	$ 1.11	$ 1.22
Basic and diluted weighted average common shares	300,000,000	300,000,000	283,973,000

See accompanying notes to consolidated financial statements.

History

Alcon was founded in 1945 when two pharmacists, Robert Alexander and William Conner, opened a small pharmacy in Fort Worth, Texas, combining the first syllables of their last names to call it ALCON. After strong growth, our leadership in the ophthalmic market was well established and in 1977 we were wholly acquired off the New York Stock Exchange by Nestlé S.A. (the world's largest food company). We re-entered the NYSE forty times larger than we left it when we completed an IPO of a portion of our shares on March 21, 2002. Our shares trade under the ticker symbol ACL.

Incorporated in Hünenberg, Switzerland, with our U.S. general office in Fort Worth, Texas, we have operations in more than 75 countries. Our products are sold in more than 180 countries and we have a highly skilled workforce of more than 11,000 employees worldwide. Competing in a large and growing $11 billion market place, our global sales represent 17% of the ophthalmic pharmaceutical market, 43% of the ophthalmic surgical market and 18% of the ophthalmic consumer market, making Alcon the largest specialty ophthalmic company worldwide.

To Our Shareholders,

Following our successful initial public offering on March 21, 2002, I'm delighted to welcome all of our new Alcon shareholders. Your company is an exciting, global enterprise with a long history. We are already the largest and most innovative eye care company in the world: we intend to build on this position and continue to create value for our shareholders.

NYSE: ACL Vision for the Future.

I have often been asked how Alcon has achieved such enviable and steady growth in the past. The answer has always been the same: as a management team and as a company, we are focused on one industry and have a passion for providing innovative products for the highest quality eye care around the world. This focus holds the key to our future growth.

Alcon entered the realm of publicly traded companies with an impressive array of competitive strengths nurtured and developed over the 25 years that we were wholly owned by Nestlé S.A. Ophthalmologists and other eye care professionals are constantly using our extensive portfolio of high-quality pharmaceutical and surgical products. Consumers around the world rely on us for their contact lens care needs. Now, as a public company with common stock traded on the New York Stock Exchange, Alcon looks forward to continuing to serve all our customers with the vision and commitment that have characterized this company since it was founded more than 50 years ago.

We understand customers, value people and reward success.

I joined Alcon in 1971 and since then have been privileged to work with extraordinary people at all levels of this company. I have seen our business grow dramatically. In 2001, our sales reached $2.75 billion — more than twice the global ophthalmic sales of our nearest competitor, 40 times our sales when Nestlé acquired Alcon and 100 times our sales back in 1971. Excluding eye glasses and contact lenses, we offer eye care professionals "one-stop shopping" with products that address the entire range of vision disease and disorders, from cataracts and vitreoretinal pathologies to glaucoma, ocular allergy and ocular infection. Today, Alcon's three product categories — Pharmaceutical, Surgical and Consumer — compete in a large and growing $11 billion market place. We estimate that we have about 17% of the global ophthalmic pharmaceutical market, 43% of the ophthalmic surgical market and 18% of the ophthalmic consumer market. Alcon is the largest participant in the ophthalmic market worldwide.

We believe our growth in sales and profits is the direct result of a company philosophy that values people, rewards success, listens to customers and delights in progress.

Alcon's Research & Development group's investment in intellectual talent, its physical facilities and the financial support it receives are by far the largest in the ophthalmic industry. Approximately 1,100 R&D staff members maintain close working relationships with leading ophthalmologists, university research scientists and other eye care professionals. This dedicated team not only produces original prescription medicines to combat sight-threatening diseases, but also develops innovative surgical equipment and devices of increasingly sophisticated medical technology, as well as providing leadership in developing consumer products.

Our Medical Missions team supplied Alcon products to support more than 800 humanitarian efforts worldwide.

Alcon's production, distribution and equipment servicing facilities permit cost-effective support of our customers throughout the world. In the U.S., Alcon is the first ophthalmic company to establish a direct sales force dedicated exclusively to serving primary care physicians. Primary care doctors are increasingly involved in specialized health care and they have welcomed our ophthalmic sales representatives.

Alcon is a global corporation. We have operations in more than 75 countries and our products are sold in more than 180 nations – in fact, anywhere ophthalmologists practice, an Alcon representative can be found.

Alcon's most fundamental asset is its more than 11,000 skilled employees around the world. We understand how valuable our experienced employees are, and, I am pleased to report, turnover is very low. For the last four years, Alcon has earned a place on *Fortune* magazine's list of the '100 Best Companies to Work For' in the United States. We are particularly proud to be the highest ranked pharmaceutical company on that list.

Because Alcon is dedicated to the highest quality eye care and the prevention of blindness around the world, we have for many years enthusiastically supported the humanitarian efforts of eye care professionals. Last year, Alcon's Medical Missions team supplied our products free of charge to support more than 800 such projects around the world. Within the United States, we also maintain a Glaucoma Patient Assistance Program, providing products free of charge to patients unable to afford them. In 2001, we provided sight-saving medication for more than 18,000 patients, each of whom had been personally recommended by an ophthalmologist.

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Where is Alcon Headed?

For the past 50 years, we have been successful precisely because the company has developed products that ophthalmologists and optometrists have told us they need. Our customers have always driven our research and they will continue to do so. Apart from working to develop better products to treat common eye disorders, we will carry on intensive research into compounds that may cure the most intractable ophthalmic diseases.

World wide, the market for our products continues to grow because of advances in medical technology, improved therapies, increased numbers of ophthalmologists, economic growth in emerging markets and the increasing proportion of older people who have access to health care.

Alcon is in an excellent position to take advantage of these trends because of our close working relationships with the ophthalmologists and other eye care professionals.

We thank our customers for their support and dedication. We appreciate our remarkable employees whose hard work, dedication and creativity have helped us deliver solid results year after year. We affirm our commitment to our shareholders to generate earnings growth and create value over the long term. I am looking forward to reporting to you on our progress during the year ahead.

Sincerely,

Tim Sear

Benefits of Focus

At Alcon, we've been working toward one clearly defined goal for decades: to be the best eye care company in the world. Today, Alcon is one of the most recognized and trusted names in eye care, with a comprehensive line of high-quality products to meet virtually every need of the eye care professional. We believe our focus on four key elements has enabled us to become – and will help us remain – the world's leading eye care company:

Knowledge, Innovation, Relationships and Synergy.

Knowledge

Our passion for eye care is unrelenting. Over the years Alcon and its employees have developed a shared knowledge of the industry's scientific processes, regulatory pathways, manufacturing techniques, marketing strategies and business dynamics. With this focused knowledge, we better understand eye physiology and disease, we accelerate the development and registration of new products, we more quickly respond to the needs of our customers and we more effectively anticipate changing consumer preferences.

Innovation

Alcon's heritage of innovation has been central to our success. To build upon our leadership in eye care, we have an unparalleled commitment to Research & Development. We have more than 1,100 people working on our R&D team. No other company in our industry is better positioned to create and take advantage of new developments in vision care. Over the next five years, we plan to invest more than $1.5 billion in R&D as we diligently work to discover, develop and gain approval of the latest advances in eye care. Alcon has a robust research pipeline, which we fully expect to be the key to our growth in the years to come.

Relationships

Alcon focuses on building and maintaining close relationships with eye care professionals around the world to better understand their needs. The knowledge we gain from these relationships allows us to enhance and expand our product offerings and quality. Our relationships with eye care professionals include collaborations on product development, training programs offered at Alcon facilities around the globe, support of ophthalmic research and humanitarian efforts and sales and marketing activities by our team of 2,200 professionals. We have nurtured these types of relationships since our earliest days more than 50 years ago, and our sales force continually forges new relationships with young doctors who will be tomorrow's leaders.

Synergy

Our exclusive focus on eye care also creates important synergies in sales, marketing, manufacturing and research and development. While we operate three product groups — Pharmaceutical, Surgical and Consumer – each of these groups is highly committed to providing eye care professionals with all the tools necessary to improve their patients' vision. By sharing our knowledge, capabilities, resources and relationships across divisional lines, we can better tap into the needs of each eye care specialty and maximize the efficiency of our sales forces.

Surgical Products

Alcon is the undisputed global leader in the manufacture and sale of products used in eye surgery, with 2001 global sales of $1.36 billion and an estimated 43 percent share of the global ophthalmic surgical market. Our surgical business generates almost half of Alcon's total sales and is the basis of the global infrastructure through which we have gained much of our success. Through our network of more than 75 global affiliates, we maintain direct sales and technical service relationships with surgeons and hospitals in virtually every major market around the globe.

Our sales force spends thousands of hours with surgeons in the operating rooms, supporting their surgical techniques, needs and preferences. The up-to-date knowledge derived from this frequent and extensive involvement with physicians allows Alcon to continue to tailor products to doctors' needs and to build on relationships that may have begun years before at an Alcon-sponsored surgical training program.

The breadth and depth of our product offerings and global scope of our business distinguishes Alcon within the industry and leads to our strong leadership position in it. We compete on a global basis in all three major surgical areas: cataract, vitreoretinal and refractive. Within each of these segments, we offer complete lines of the highest quality and most technologically advanced surgical equipment and devices available today. We have dedicated ourselves to developing innovative technologies in our relentless pursuit of new surgical products that improve clinical results and efficiency in the ophthalmic operating room.

With our unmatched global scope and ever-advancing technology platforms, Alcon is positioned to benefit from the demographics of aging populations and economic growth in the developed world and to tap into the unfulfilled needs for eye surgery in developing and emerging markets.

Cataract Surgery. Cataract surgery is one of the most frequently performed surgical procedures in the developed world. Estimates place the number of cataract surgeries performed each year in the United States at 2.5 million, and more than six million outside the United States. The primary cause of cataracts is the natural aging process, although factors such as smoking, extended exposure to intense sunlight and genetics appear to contribute to cataract formation. These factors cause the eye's naturally clear lens to become cloudy, which reduces visual capacity over time. With modern medical technologies, vision deterioration or loss from cataracts is completely reversible, regardless of how long ago the cataract was formed. This is especially important in developing and emerging markets, because there exist large populations with untreated cataracts who could benefit from our products.

Alcon's **Series 20000® Legacy®** phacoemulsification system is one of the leading cataract surgery systems in the world. Our surveys indicate that more than half the cataract surgery systems in place today are Legacy models, with up to 60 percent of all surgeries in the United States employing our technology. In addition, we estimate that there are more than 25,000 Alcon cataract systems in place outside the United States today. In 2001, we significantly upgraded the **Legacy 20000**'s performance with the introduction of the **AdvanTec™** hardware and software package. The main feature of this package is the **NeoSoniX™** nucleus removal technology, which combines traditional linear ultrasound with sonic oscillations to facilitate efficient removal of all types of cataracts. This proprietary oscillatory motion generates virtually no heat and contributes to surgical handpiece efficiency, which makes this technology advance more friendly to the eye and promotes faster recovery.

A hallmark of our cataract business is the **AcrySof®** intraocular lens, which is the most widely implanted foldable intraocular lens on the market today. The acrylic material used in **AcrySof** was the first material developed specifically for intraocular lenses and is extremely compatible with eye tissues. The unparalleled success of this lens was marked in 2001 when the ten millionth **AcrySof** lens was implanted, an event broadcast at the American Academy of Ophthalmology meeting. Our new single-piece version of the **AcrySof** lens made significant strides in 2001 as it grew to over 40 percent of our

total **AcrySof**® sales for the year. The revolutionary single-piece acrylic design has significant medical advantages over multi-piece versions, including its unique folding and unfolding characteristics and ease of insertion.

Vitreoretinal Surgery.

Vitreoretinal surgery is delicate surgery on the retina and in the vitreous in the back of the eye to treat diabetic retinopathy, retinal detachment, trauma, tumors and other abnormalities. Less common than cataract surgery, it is a much longer procedure usually performed in the dark with electronic surgical equipment, lasers and hand-held surgical instruments as well as gases and liquids injected into the eye. We estimate that about 515,000 vitreoretinal procedures were done globally in 2001, with more than 35 percent of those in the United States. However, vitreoretinal surgery is growing 8-10% per year, uses several surgical products and has not experienced significant government price pressure. These factors, plus the influential role vitreoretinal surgeons play in the ophthalmic community, make this an attractive market for us.

Our leading vitreoretinal offering is the **Accurus**® surgical system, which we believe is used in more than 50 percent of the vitreoretinal surgeries performed worldwide. The **Accurus** incorporates a unique computer operating system that is highly responsive to the surgeon's needs and integrates all the automated, non-laser surgical functions the surgeon performs. Some **Accurus** models have dual functionality and can be used to remove cataracts, which is frequently done immediately after the vitreoretinal surgery is completed.

Rounding out our line of vitreoretinal products are the **EyeLite**® laser, **Grieshaber**® hand-held microsurgical instruments used to remove membranes and other tissues and repair the retina, light probes to illuminate the surgical area, and various gases and liquids that stabilize the retina during vitreoretinal procedures.

In addition to products used exclusively in one type of surgery, we have a broad portfolio of products used in both cataract and vitreoretinal surgery. Among these are **BSS Plus**® intraocular solution, which irrigates the surgical field, and our family of viscoelastics, including **Viscoat**®, **ProVisc**® and **DuoVisc**® viscoelastic solutions, which maintain the shape and volume of the eye and its structures and protect surrounding tissues. We also have a complete line of precision knives, needles and cannulas used in all types of surgical procedures. Our unmatched breadth of products and distribution capabilities provides us the unique ability to package all these offerings into **Custom Pak**® surgical procedure packs. These packs are individually tailored to meet the specific preferences and needs of each surgeon. While these packs are comprised mostly of proprietary Alcon products, we will include other items that the surgeon requests to make his or her operating room more efficient and easier to manage.

Refractive Surgery.

Laser vision correction employs a cool laser to sculpt the surface or sub-surface of the cornea to correct most visual refractive errors, including myopia (near sightedness), hyperopia (far sightedness) and both conditions with astigmatism (uneven corneal shape), and offers an alternative to spectacles and contact lenses. Because patients generally must pay for laser vision surgery themselves, this part of our surgical business is affected by the global economic environment and trends. In 2001 an estimated 2.3 million procedures were performed globally, about the same number that were performed in 2000. About 60% of this total, or 1.3 million surgeries, were performed in the United States, where we collect a per-procedure fee. Industry experts project procedure volumes in the United States to approach two million within the next three-to-five years.

Alcon entered the laser vision correction market in the summer of 2000 when we acquired Summit/Autonomous Technologies, Inc. With this acquisition, we obtained the **LADARVision**® **4000** excimer laser, which employs one of the most advanced refractive laser systems available today. Its cutting-edge features include active radar eye tracking and true small-beam corneal shaping that improve its accuracy and give it the widest range of refractive correction approved by the U.S. Food and Drug Administration. In addition to the first-rate technology Alcon obtained, the Summit acquisition gave us royalty-free access to certain key patents covering refractive surgery in the United States. Combining these patent rights with the technology advantages of the **LADARVision 4000** allows us to receive a premium technology fee for every procedure done in the United States with our laser. Alcon also markets the **SKBM**™ microkeratome, which is a precision instrument used to create a corneal flap as part of the most frequently performed laser refractive procedure, known as the LASIK procedure.

Pharmaceutical
Products

Pharmaceutical Products. From its inception more than 50 years ago, Alcon has committed itself to the discovery and development of specialty pharmaceuticals that address both chronic and acute diseases of the eye. We are committed not just to the treatment of a single eye disease or disorder, such as glaucoma, but to all of the major diseases of the eye including infection, inflammation, allergy, dry eye and macular degeneration. Over the years, Alcon has become the global leader in specialty ophthalmic pharmaceuticals, with the broadest array of products of any company in the industry around the world. With a large sales force covering ophthalmologists, optometrists, pediatricians, allergists and primary care physicians, we are uniquely positioned in the industry to market effectively to all physicians and eye care professionals who might prescribe our eye medications.

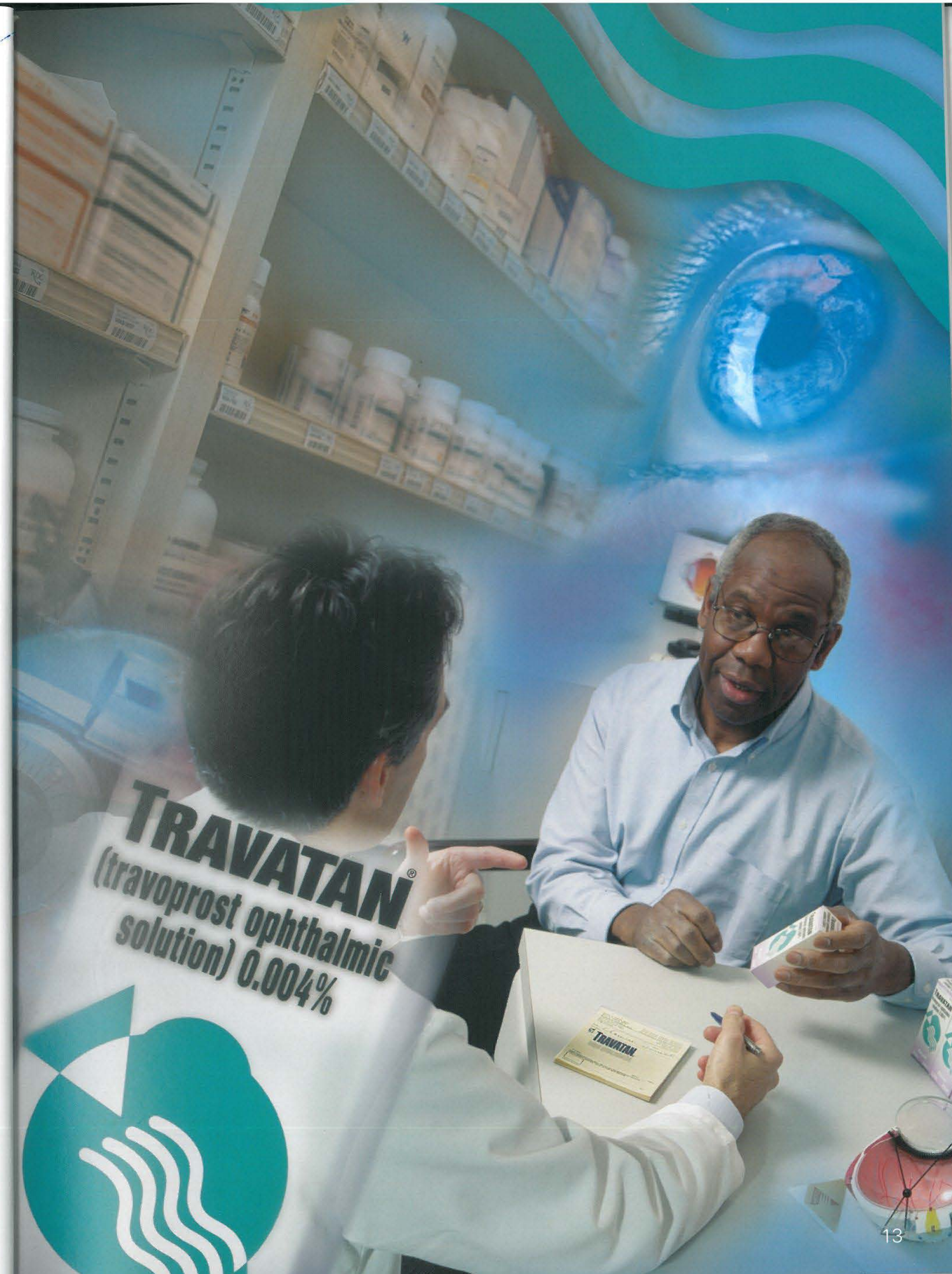
With 2001 global sales of $928 million and 17% of the global ophthalmic pharmaceuticals market, we plan to build on our leadership position in this growing market. We are focused on developing more advanced drugs that treat existing diseases and discovering and bringing to market entirely new therapies for currently untreated ones. With these new products and the continuing success of our existing products, we expect pharmaceuticals will play an increasingly important role in our growth in future years.

Glaucoma. Glaucoma is one of the leading causes of blindness in the developed world. It is sometimes called "the silent thief of sight," because it is a pain-free disease that usually advances slowly by deteriorating peripheral vision first. It is caused primarily by an increase in intraocular pressure that eventually damages the optic nerve, resulting in irreversible damage and ultimately permanent blindness if left untreated. Treatments for glaucoma account for almost half of the present market for ophthalmic pharmaceuticals.

Alcon offers a complete portfolio of products to treat glaucoma, including our latest entry, TRAVATAN® ophthalmic solution. A patented prostaglandin analogue, it is one of a new class of compounds to reduce intraocular pressure. Dosed once daily and requiring no refrigeration, this drug provides eye care professionals with a convenient and highly effective choice for treating their glaucoma patients. In addition, TRAVATAN® is the only glaucoma medication to receive U.S. Food and Drug Administration labeling approval for its increased efficacy in black patients, who suffer more frequently and severely from glaucoma and represent approximately 25% of glaucoma patients in the United States. Launched in the United States in March 2001, TRAVATAN® is steadily gaining market share there. After gaining European Union approval in December 2001, it is now approved in 54 countries around the world and has had excellent acceptance in all markets where it has been launched.

In addition to TRAVATAN®, Alcon's line of glaucoma products includes other therapeutic compounds with a long track record of success, including **Betoptic S®** ophthalmic suspension, **Azopt®** ophthalmic suspension and Timolol GFS. These products all play important roles in treating this multi-faceted disease. In this regard, Timolol GFS has an especially attractive profile, because it is the only generic product that can currently be substituted at the pharmacy for the popular glaucoma treatment **Timoptic XE*** in the United States.

**Timoptic XE is a registered trademark of Merck & Co., Inc.*



Infection and Inflammation. Alcon manufactures and markets a broad range of topical eye medications to treat bacterial, viral and fungal eye infections and to control ocular inflammation. Uses range from bacterial conjunctivitis, commonly known as "pink eye," to the surgical arena, where it is used before and after surgery to prevent eye infections.

The key drivers of our success in this area are **TobraDex**® ophthalmic suspension and **Ciloxan**® ophthalmic solution. **TobraDex** has the leading market share for combination ocular anti-infective/anti-inflammatory treatment in the United States. Combination treatment is important because it eliminates the need for the patient to apply two medicines multiple times a day, leading to increased patient compliance. **TobraDex** is currently the only branded combination product on the U.S. market without a generic equivalent and its patents run to 2007. **Ciloxan** is a topical solution containing ciprofloxacin, an antibiotic in the fluoroquinolone class, and is effective against a broad spectrum of bacteria, including strains resistant to more than one antibiotic. It is extensively prescribed by primary care physicians and pediatricians in the treatment of pink eye (bacterial conjunctivitis), and is also used to prevent infection before and after surgery.

For many years, we have observed that physicians use our topical ophthalmic products to treat ear infections, partly because there was little else offered for topical treatment. With the licensing of **Cipro** HC Otic** from Bayer, we used topical ophthalmic technology to enter the otic market. We made this tactical move because there were a number of synergies we could obtain, including capitalizing on our knowledge of the molecule itself, capabilities in formulation and manufacture of topical antibiotics and an already established Primary Care sales force. When launched, **Cipro HC Otic** became the first combination anti-infective/anti-inflammatory product in 25 years to be approved for the treatment of otitis externa, commonly known as "swimmer's ear." A key part of its success in the market is that physicians increasingly seek to avoid the side effects of systemic antibiotic therapy for localized infection. **Cipro HC Otic** allows physicians to treat infection and the painful inflammation that accompanies it with a single topically applied medicine that is more convenient for patients and their families.

Allergy. Ocular allergies, known scientifically as allergic conjunctivitis, affect an estimated 20 million in the United States and countless millions in the rest of the world. In recent years, especially after the introduction of effective systemic allergy treatments, the market experienced little growth and innovation. However, when Alcon introduced **Patanol**® ophthalmic solution in the United States in 1997, its success transformed the ocular allergy market, more than doubling it in the next two years. **Patanol** received the lion's share of this growth and now has a 57 percent share of the U.S. market. **Patanol**, which is currently marketed in 29 countries, employs the dual action of an antihistamine and a mast cell stabilizer to provide rapid and continuous relief of allergic conjunctivitis for up to eight hours.

Patanol is the only product in this class to receive U.S. Food and Drug Administration approval for treating both the signs and symptoms of allergic conjunctivitis, and is safe and effective for use in patients as young as three years old. Because systemic medications do not always reach the eye in sufficient dosage to have a favorable impact, allergists and other physicians frequently prescribe **Patanol** in addition to systemic medications, especially for people who have severe ocular symptoms. Alcon recently received approval to market **Patanol** in Europe under the name **Opatanol**® and is currently seeking approval in Japan.

Generic Pharmaceuticals. We are keenly aware that governments, insurance companies, health maintenance organizations and other third-party payors constantly seek ways to reduce their health care costs. After evaluating the generic pharmaceutical market extensively, we determined that we had the research, regulatory, manufacturing, distribution and marketing capabilities to profitably participate in this growing market. Alcon is the largest manufacturer and marketer of generic ophthalmic pharmaceuticals in the United States. The company sells more than 45 products to treat glaucoma, infection, inflammation, allergy and other conditions.

***Cipro is a registered trademark of Bayer AG, licensed by Bayer AG*

Consumer
Products

Consumer Eye Care. Alcon is among the most recognized names in the world for contact lens care and other over-the-counter consumer eye care products. As we do with all our consumer product lines, we base our success on leading edge technology and keen market awareness to anticipate changes in consumer preferences. Our consumer eye care products address most general eye care needs with a comprehensive line of high quality products, including contact lens disinfectant solutions and cleaners, drops that soothe dry eye symptoms and ocular vitamins. Consumer Eye Care sales totaled $462 million in 2001.

These products reach consumers through grocery, drug and general merchandise stores and pharmacies in many countries around the globe, and through vision care specialists' offices in others. However, optometrists, opticians and ophthalmologists are key to our success in this field because they play a vital role in educating consumers and recommending products that offer the highest quality eye care available today. Recognizing this, we work closely with and support these eye care professionals to help them communicate the advantages of our products to their patients. In the United States, we support these efforts with appropriate television and other media advertising to increase consumer awareness of product features and benefits.

Contact Lens Care. We offer a full line of solutions and other products to clean and care for all types of contact lenses made today. We were the first company to fulfill consumer desire for a product that simplifies and shortens the lens cleaning and disinfecting process without the rubbing step when we introduced the *No Rub*™ formula of **Opti-Free® Express®** multi-purpose disinfecting solution in the United States. This solution has a patented, triple-action cleaning system that is the first soft lens disinfecting solution cleared by the U.S. Food and Drug Administration for cleaning all lenses without the rubbing step. Eliminating rubbing makes cleaning and caring for contact lenses simpler, more convenient and less expensive. This scientific innovation, supported by effective consumer advertising, drove **Opti-Free® Express® *No Rub*™** to the top of the market in the United States in 2001, with a 24 percent share of the soft lens disinfectant market. Another of our contact lens solutions, **Opti-Free®**, is the market leader in Japan. We have a strong market presence in many other countries across our contact lens care product line.

Alcon's other contact lens care products include **Clerz® Plus** lens rewetting drops, which moisten contact lenses during wear and help reduce protein build-up; **Opti-Free SupraClens®** preservative-free active cleaning solution; and **Unique™ pH** multi-purpose disinfecting and cleaning solution for rigid gas permeable contact lenses.

Optometrists, opticians and ophthalmologists are key to our success in this field because they play a vital role in educating consumers and recommending products that offer the highest quality eye care available today.

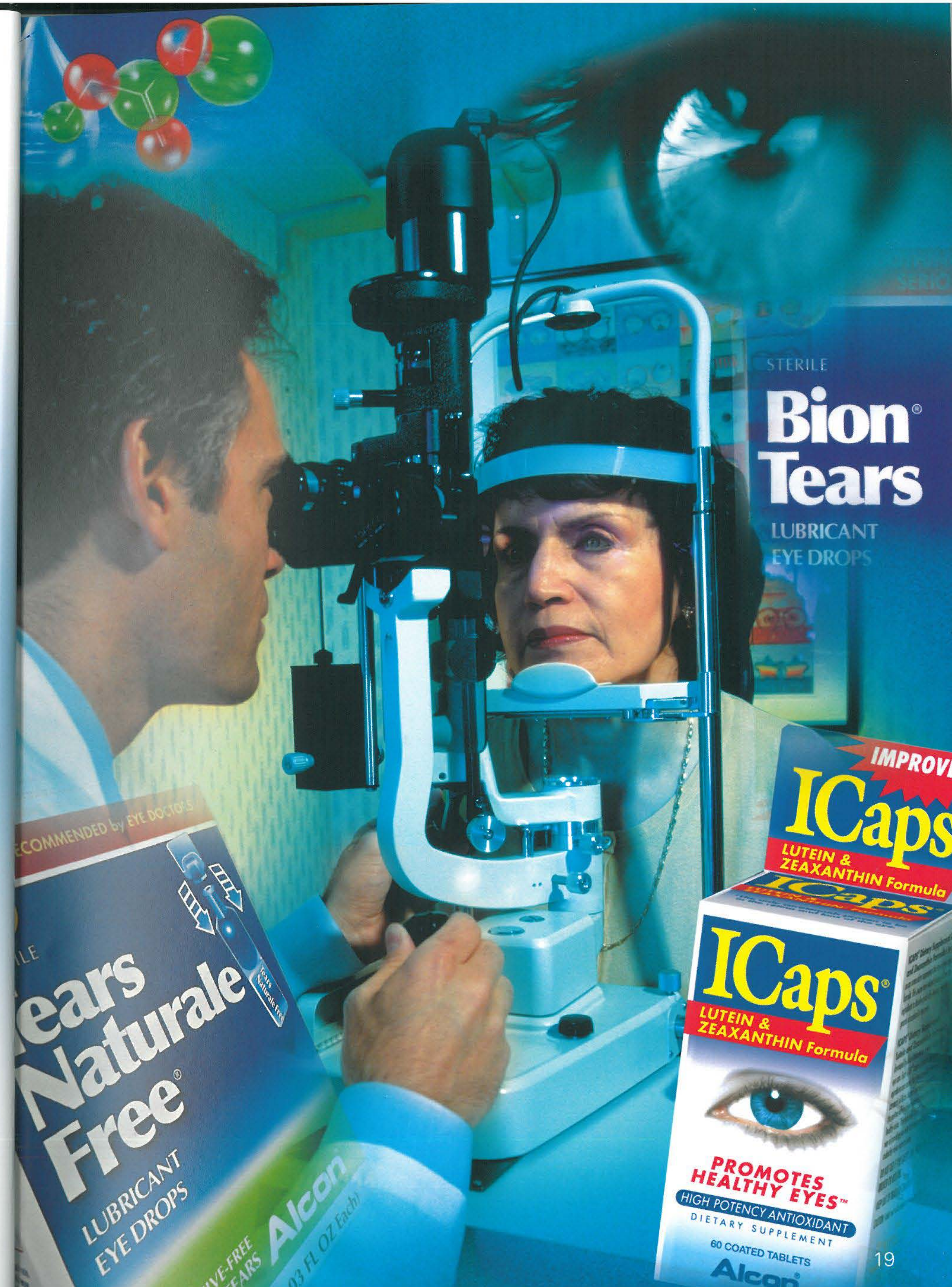
Dry Eye. Dry eye is a condition caused either by a deficiency in tear production or the excessive evaporation of tears. Because dry eye is associated with aging, hormonal changes, environmental pollution, computer use and even certain ophthalmic surgical procedures, the number of people suffering from dry eye symptoms grows each year. Alcon's dry eye products compete in the premium sector of the market and base their success on quality science combined with an appreciation of consumer preferences.

Our flagship U.S. brand, **Tears Naturale® Forte** lubricant eye drops, employs **Trisorb™** triple demulcent system, an exclusive polymer system that adheres to the eye and maintains moisture in the eye longer. It contains a proprietary preservative called **Polyquad®**, which is extremely gentle to the eyes of patients who suffer from dry eye syndrome.

Alcon also has developed an artificial tear product designed for people suffering from severe and chronic dry eye symptoms. **Bion® Tears** lubricant eye drops are specially formulated with zinc and bicarbonate – two essential components of natural tears – to more closely resemble the composition of human tears.

Ocular Vitamins. Many people in the world have been brought up with the knowledge that eating carrots is good for vision. This is true because carrots contain a substance called beta-carotene, which has been shown to be beneficial to vision. However, few people are aware that several other vitamins and minerals have recently been shown to improve eye health, including lutein, zeaxanthin, zinc and anti-oxidants.

Our commitment to general eye care led us to acquire an eye vitamin product in 1999 called **ICaps®**. After being reformulated to include some new vitamins and minerals, it is now one of the most advanced eye vitamin products on the market. Anti-oxidants, including vitamins A, C and E and copper and zinc minerals, are key components of **ICaps**. Products containing these vitamins and minerals have been shown in clinical trials to reduce the risk of progression of age-related macular degeneration. Increasing consumer awareness of these effects, especially among older segments of the population, is helping this market grow.



Research & Development
Focused on the Future

Research & Development is the lifeblood of our company and the foundation of our future success. Every day our 1,100 dedicated R&D professionals, including more than 270 Ph.D.s, M.D.s and O.D.s, come to work with one goal in mind: to discover how to improve vision and prevent diseases of the eye that can lead to blindness. In terms of people, investment and facilities, Alcon has the largest commitment of any company in the world to ophthalmic research. Over the next five years, we plan to invest more than $1.5 billion in research and development in our never-ending search for new medications, surgical devices and treatments for diseases and disorders of the eye.

What are the benchmarks of research success? One key measure is the percentage of sales derived from new products. The past decade has been a fertile period for Alcon's R&D. In 2001, approximately 45 percent of Alcon's total sales came from products we developed and introduced since 1994.

Another important benchmark is the ability to lead the industry in registering new products. Over the past decade, Alcon has had twice as many new drug approvals as our next ophthalmic competitor. Moreover, we obtained them faster on average than the industry as a whole. We have also registered more than 2,000 individual products in more than 150 countries around the world.

A third standard is the breadth and duration of a company's patent estate. By the end of 2001, Alcon held more than 2,250 patents and more than 1,350 pending patents, with less than six percent of 2001 product sales subject to patent expiration in the next five years.

By all of these measures, Alcon has demonstrated its ability to transfer our passion for ophthalmic research and science into commercial success.

Alcon's drive to innovate means we are always focused on the future. We intend to improve upon therapies available today as well as develop entirely new treatments for diseases and conditions that are not effectively addressed today. We have a deep and rich product pipeline in all our product segments, which we summarize in the following paragraphs.

Pharmaceutical. We are currently in Phase III clinical trials on several important new drugs. If and when they are approved, they will enhance our product mix for many years to come. We expect moxifloxacin to replace **Ciloxan®** ophthalmic solution and bring added benefits to the ocular infection area because of its potentially broader spectrum and its increased tissue absorption. **CiproDex*** suspension for ocular and otic infection and inflammation will complement **TobraDex®** ophthalmic suspension by offering physicians a combination anti-infective/anti-inflammatory based on a broad spectrum antibiotic from the fluoroquinolone class of antibiotics. We are also seeking approval of this medication to treat ear infections, including otitis media. **Patanol®** Plus ophthalmic solution for ocular allergy will bring added convenience to people who suffer from ocular allergies because this new formulation will only need to be applied once a day.

One of our most interesting products in development is anecortave acetate for the treatment of age-related macular degeneration (AMD), the leading cause of blindness in the developed world. Preliminary results of clinical studies have demonstrated anecortave acetate's effectiveness in maintaining or improving functional vision, with no significant side effects of treatment. The drug is currently in Phase II studies. We expect to move into Phase III in the near future and are targeting approval in early 2005. Industry experts have projected a multi-billion dollar potential market for AMD treatments within the next five years. This represents a significant potential market for us, as no pharmaceutical therapies have been approved to treat this disabling disease and existing laser procedures are of limited effectiveness.

Surgical. Our strong pipeline of surgical products extends across all three areas of surgery: cataract, vitreoretinal and refractive. Products in late-stage development include the **Infiniti™** cataract system, which will be launched in early 2003. This system will include numerous innovations, including the revolutionary technology of the **Aqualase™** liquifractive device for cataract removal. In 2002, Alcon also plans to introduce product enhancements for the **Accurus®** surgical system that incorporates advanced multi-function capabilities and significant improvements in the surgical feel and touch of the system. We also expect to expand the **AcrySof®** line of intraocular lens over the next several years. This planned expansion includes a version that blocks high frequency visible blue light to better protect the retina, and a true, high-quality multifocal intraocular lens that can reduce or eliminate the need for eyeglasses following cataract surgery.

After the close of the year, the U.S. Food and Drug Administration (FDA) accepted for filing our Pre-Market Application for wavefront guided ablation for refractive surgery, making Alcon the first company in the industry to have its application for this technology accepted for filing by the FDA. This system, called **CustomCornea®**, involves using our **LADARWave™** wavefront measurement device to drive the **LADARVision® 4000** laser to customize each procedure to the individual patient's personalized refractive profile. We have targeted a late 2002 or early 2003 approval and launch of this innovative technology.

Consumer Eye Care. We base our development of new consumer eye care products on sound science to enhance the standard of consumer eye care and to meet changing consumer preferences. We are developing an improved preservative for all our contact lens care products that is expected to enhance comfort in even the most sensitive of eyes. To maintain the market advantage of **Opti-Free® Express®** multi-purpose disinfecting solution for contact lenses, we will enhance its cleaning system and bring added convenience to the consumer without compromising safety.

Alcon has been the leader in ophthalmic research in the past and our commitment is to remain the leader into the future. We believe the products highlighted above and those expected to come out of our laboratories in coming years will be integral to our ongoing efforts to improve visual health and function and to reduce the incidence of blindness and ocular disease around the world.

**CiproDex is a registered trademark of Bayer AG and is licensed by Bayer AG.*

Manufacturing & Technical Support
A Strategic Global Process

Alcon's wide array of products encompasses more than 10,000 unique items, from contact lens care solutions and ethical drugs to intraocular lenses and refractive lasers. To ensure that every ophthalmic product we make meets the highest quality standards, Alcon has built a global manufacturing capability committed to continuous improvement. To reduce overall costs, we have built a Manufacturing and Technical Support group that provides efficient services, including constructing factories, purchasing materials, manufacturing products, providing quality assurance, processing orders, and delivering finished goods to their final destinations around the world.

Today, Alcon operates 17 manufacturing facilities strategically located in nine countries. Our pharmaceutical and medical device manufacturing plants are state of the art. Our people are among the best and most experienced people in the industry. Our 4,300 manufacturing employees have one of the lowest turnover rates in the industry. The dedication and expertise of our employees helps us enhance manufacturing quality and efficiency while controlling costs.

To maintain excellent standards of regulatory compliance, our Quality Assurance group monitors and tests products, processes and procedures on a continuous basis at every Alcon manufacturing site throughout the world. The Quality Assurance process is in place from the moment raw materials are delivered until well after the expiration date of each production batch.

This group also oversees Alcon's adoption of ISO 9001 standards. These stringent standards require developing quality management systems that promote consistent quality in products and services. Meeting the standards, attaining ISO 9001 registration and winning authorization to use the CE mark have improved our business and quality systems and reduced operating costs. The CE mark allows products to be marketed in a number of countries with minimal regulatory review once it has been accepted and registered by one participating country.

Purchasing, Customer Service and Distribution are also part of the MTS group. This ensures that raw materials are available when required by manufacturing plants, that product is shipped in a timely manner and that customers receive what they order when they need it, no matter where they are.

Alcon also controls costs and enhances quality by having a team of engineers who coordinate all company construction – of plants, of research centers and of office space. This group of experts deals with local regulatory officials and contractors to ensure that all Alcon facilities are built to our specifications, will pass regulatory inspections and operate efficiently.

While quality is paramount, efficiency is also important in the manufacturing process. Each facility has continuous improvement programs to reduce costs and improve quality through cycle-time reductions, efficiency improvements and automation.

Our flexible strategy is focused on making the best use of our assets. Alcon's leadership team constantly monitors business needs and is set to continue expansion and adjustment of manufacturing sites as necessary. Our efforts have helped reduce the cost of manufactured goods sold as a percentage of sales over the past five years.

As the global leader in eye care, we believe we have a responsibility to bring ophthalmic products to those who otherwise would not have access to them. This commitment to humanitarian efforts is longstanding and deeply felt by people throughout our company. Each year, tens of thousands of people suffering from blindness or other serious vision problems benefit from the programs we support throughout the world.

Humanitarian Services

Helping Global Vision

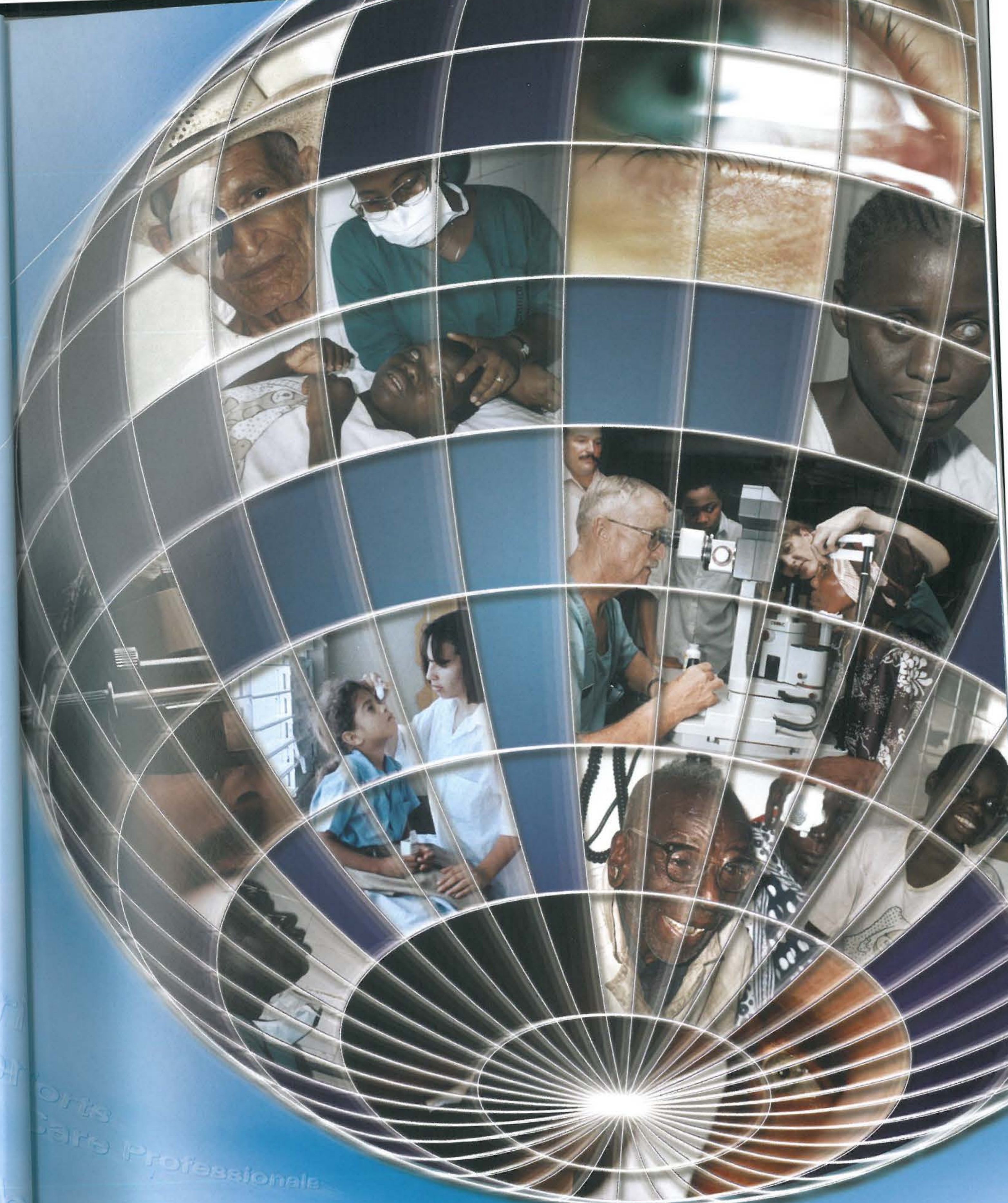
In 2001, we supported more than 800 humanitarian efforts involving some 2,500 volunteer eye care professionals. Using products provided by Alcon without charge, these eye care professionals performed 24,000 charitable cataract procedures in 83 countries during the year.

For nearly four decades, our Medical Missions Program has been an industry leader in support of ophthalmic foreign missions. Each year, Alcon supplies millions of dollars worth of drugs and devices to assist eye-care specialists who volunteer their time and skills. Our long-standing commitment to these missions encourages physicians worldwide to participate in volunteer efforts.

For more than 20 years, Alcon has been one of the largest contributors of ophthalmic products to ORBIS, the flying eye hospital, to support its mission of providing ophthalmic education and skills transfer between countries. Since the early 1980s, Alcon has also supported Mercy Ships, which offers ophthalmic services on board its fleet of hospital ships.

Similarly, within the United States, our Glaucoma Patient Assistance Program provided free Alcon glaucoma medications to more than 18,000 patients in 2001. This U.S. program further demonstrates Alcon's heart-felt philosophy of saving sight for those in need. Since the mid-1960s, we have made Alcon glaucoma medications available at no charge to patients who have no insurance reimbursement and cannot otherwise afford these sight-saving drugs.

Each year, tens of thousands of people suffering from blindness or other serious vision problems benefit from our humanitarian programs throughout the world.



Alcon's World

Global Vision. Strategic Focus.

Alcon, Inc. Directors*:

Timothy R.G. Sear, Chairman
Peter Brabeck-Letmathe, Vice-Chairman
Werner Bauer
James I. Cash, Jr.
Francisco Castañer
Lodewijk J.R. de Vink
Philip H. Geier, Jr.
Wolfgang H. Reichenberger

Alcon, Inc. Officers:

Timothy R.G. Sear, President and Chief Executive Officer
Michèle Burger, Secretary and General Counsel
Guido Koller, Senior Vice President (Direktor)
Stefan Basler, Attorney-in-Fact (Prokurist)
Martin Schneider, Attorney-in-Fact (Prokurist)

Officers of Other Alcon Affiliates:

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Frederic G. Baldowsky, Vice President, International Tax Counsel
Merrill E. Barden, Vice President, Purchasing and Facilities
William K. Barton, Vice President/General Manager, Surgical
David A. Bass, Vice President, Treasurer, Global Operations
Keith R. Bell, Vice President, Quality Assurance, Surgical Operations
G. André Bens, Ph.D., Senior Vice President, Global Manufacturing and Technical Support
Michael V. Bergamini, Ph.D., Vice President, Pharmaceutical Development, R&D
Steven E. Bott, Vice President, Refractive R&D
Robert W. Brobst, Ph.D., Vice President, Information Technology and Chief Information Officer
Kevin J. Buehler, Vice President/Regional Manager, LACAR
Karen A. Burdack, Vice President, Associate General Counsel, International Counsel
William R. Burns, Vice President, Global Marketing - Consumer Products
Gerald D. Cagle, Ph.D., Senior Vice President, Research & Development
Thierry Clidière, Area Vice President, EURMEA
Larry J. Coben, Ph.D., Vice President, Process Development, R&D
Carlos A. Coscia, Vice President, Western Europe/North Africa
Bruno Dacquay, Vice President, Surgical Instrumentation, R&D
Louis M. DeSantis, Jr., Ph.D., Vice President, Product Support, Pharmaceuticals R&D
Edwin D. Dorsey, Ph.D., Vice President, Analytical Chemistry, R&D
William D. Fairbairn, Vice President, Regulatory Affairs
Phillip W. Fox, Vice President, Corporate Quality Assurance
Gareth E. Glaser, Vice President, U.S. Taxes and Associate General Tax Counsel
Robert B. Hackett, Ph.D., Vice President, Biological Sciences, R&D

*Directors of Alcon, Inc. have been in place since March 21, 2002

Michael B. Hemric, Vice President/General Manager, Consumer Products, Falcon and Managed Care
Joseph W. Hiddemen, Ph.D., Vice President, Preclinical Sciences, R&D
Helmut W. Horchler, Area Vice President, Canada/Australasia/Far East
Dwight D. Horton, Vice President, Finance, Global Operations
Kurtis C. Klein, Vice President, Global Marketing - Pharmaceutical Products
Bradford W. Kling, Vice President, Corporate Audit
Kathleen A. Knight, Vice President, Associate General Counsel/Assistant Secretary
Evan P. Kyba, Ph.D., Vice President, Pharmaceutical Products Research, R&D
Kenneth F. Lickel, Vice President/General Manager, Operations, Irvine
Douglas A. MacHatton, Vice President, Investor Relations
Scott A. Manning, Vice President/General Manager, Pharmaceutical
Donald I. Martin, Vice President, Manufacturing, Orlando Operations
Thomas O. McDonald, Ph.D., Vice President, Therapeutic Research, R&D
Edward D. McGough, Vice President/General Manager, Manufacturing Operations, Fort Worth
Charles E. Miller, Sr., Senior Vice President, Finance and Chief Financial Officer
Thomas C. Mitchell, Vice President/Controller, Human Resources
George P. Morey, Vice President, Administration and Services, R&D
Marvin J. Morrison, Vice President, U.S. Sales, Consumer Products
James T. Murphy, Vice President, Engineering
William J. Murrah, Jr., Vice President, Finance, U.S. Operations
Jack M. Panoyan, Vice President, Manufacturing, Pharmaceutical Operations
Anilbhai S. Patel, Ph.D., Vice President, Research Surgical Products, R&D
Richard L. Patterson, Vice President/General Manager, Operations, Sinking Spring
Fred J. Pettinato, Senior Vice President, International Operations
George H. Pettit, Vice President, Refractive R&D
Cary R. Rayment, Senior Vice President, United States Operations
J.W. Richardson, Vice President, Manufacturing, Surgical Operations
Antonio M. Rico, Vice President/Controller, LACAR/Canada
Jerry L. Risser, Vice President, Compensation/Benefits
Stella M. Robertson, Ph.D., Vice President, Pharmaceutical Products, R&D
Alex Sacharoff, Vice President, Refractive R&D
Barry A. Schlech, Ph.D., Vice President, Pharmaceutical Technology, R&D
Daniel L. Schneiderman, Vice President, U.S. Customer Service/Distribution
Timothy R.G. Sear, Chairman of the Board, Chief Executive Officer, and President
John W. Sheets, Jr., Ph.D., Vice President, Surgical IOL, R&D
Michael A. Southard, Vice President, Global Marketing - Surgical Products
Robert J. Stevens, Vice President, Surgical Products, R&D
Ralph P. Stone, Ph.D., Vice President, Consumer Products, R&D
Marvin Sulak, Vice President, Senior Tax Adviser
Nick G. Tsumpis, Vice President, Information Technology, Technical Services
Barry F. VanDuzee, Ph.D., Vice President, International Development, R&D
John A. Walters, Vice President, Human Resources
William J. Weir, Vice President, U.S. Sales, Surgical Products
Elaine E. Whitbeck, Vice President, Associate General Counsel/Assistant Secretary
Sarah S. Wilson, Vice President/General Manager, Operations, Houston
Jeffery E. Yale, Vice President, U.S. Sales, Pharmaceutical Products
John M. Yanni, Ph.D., Vice President, Pharmaceutical Research, R&D

Alcon Executive Management
Building Strategic Relationships

(Back Row)

Andre Bens, Ph.D.
Senior Vice President
Global Manufacturing and Technical Support
Alcon Manufacturing, Ltd.

Gerald Cagle, Ph.D.
Senior Vice President
Research & Development
Alcon Research, Ltd.

Fred Pettinato
Senior Vice President
International Operations
Alcon Laboratories, Inc.

Charles Miller
Senior Vice President
Finance and CFO
Alcon Laboratories, Inc.

Tim Sear
Chairman, President, and Chief Executive Officer
Alcon, Inc.

Cary Rayment
Senior Vice President
U.S. Operations
Alcon Laboratories, Inc.

(Front Row)

Alcon® 2001 Corporate Report

Financial Statements

Management's
Discussion and Analysis
of Financial Condition and Results of Operations

You should read the following discussion and analysis in conjunction with our financial statements and notes thereto included elsewhere in this report. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. Please see "Cautionary Note Regarding Forward-Looking Statements" on page 44 of this report for a discussion of the risks, uncertainties and assumptions relating to these statements.

Overview of Our Business

General

We develop, manufacture and market pharmaceuticals, surgical equipment and devices and contact lens care and other vision care products that treat eye diseases and disorders and promote the general health and function of the human eye. Founded in 1945, we have local operations in over 75 countries and our products are sold in more than 180 countries around the world. In 1977, we were acquired by Nestlé. Since then, we have operated largely as an independent company, separate from most of Nestlé's other businesses and have grown our annual sales from $82 million to over $2.7 billion primarily as a result of internal development and selected acquisitions.

We conduct our global business through two business segments: Alcon United States and Alcon International. Alcon United States includes sales to unaffiliated customers located in the United States of America, excluding Puerto Rico. Alcon United States operating profit is derived from operating profits within the United States as well as operating profits earned outside of the United States related to the United States business. Alcon International includes sales to all other unaffiliated customers. Each business segment markets and sells products principally in three product categories of the ophthalmic market: (i) pharmaceutical (e.g., prescription ophthalmic drugs); (ii) surgical equipment and devices (e.g., cataract, vitreoretinal and refractive); and (iii) contact lens care (e.g., disinfecting and cleaning solutions) and other vision care products (e.g., artificial tears). Business segment operations generally do not include research and development, manufacturing and other corporate functions. We market our products to eye care professionals as well as to the direct purchasers of our products, such as hospitals, managed care organizations, governments and individuals.

Market Environment

Demand for health care products and services is increasing in established markets as a result of the aging of the population and the emergence of new drug therapies and treatments for previously untreatable conditions. Likewise, demand for health care products and services in emerging markets is increasing primarily due to the adoption of medically advanced technologies and improvements in living standards. As a result of these factors, health care costs are rising at a faster rate than economic growth in many countries. This faster rate of growth has led governments and other purchasers of health care products and services, either directly or through patient reimbursement, to exert pressure on the prices of health care products and services. These cost-containment efforts vary by jurisdiction.

In the United States, government policies and the influence of managed care organizations continue to impact the pricing of health care products and services. In an effort to control Medicare costs, the United States government implemented reimbursement ceilings on cataract surgery in 2000 resulting in increased price sensitivity by hospitals and surgery centers that perform cataract procedures. Also under consideration is the addition of a prescription drug benefit program under Medicare, which, if approved, would present opportunities and challenges for pharmaceutical companies. Some states are also moving to implement more aggressive price control programs and more liberal generic substitution rules that could result in price reductions. In addition, managed care organizations use formularies and their buying power to demand more effective treatments at lower prices. Both governments and managed care organizations have supported increased use of generic pharmaceuticals at the expense of branded pharmaceuticals. We are well-positioned to address this market opportunity with Falcon

Pharmaceuticals Ltd., our generic pharmaceutical business, which currently has the #1 market share position in generic ophthalmic pharmaceuticals in the United States, based on revenues in 2001. We also use third-party data to demonstrate both the therapeutic and cost effectiveness of our pharmaceutical products. Moreover, to achieve and maintain attractive positions on formularies, we need to continuously introduce medically advanced products that differentiate us from our competitors and are competitively priced.

Outside of the United States, third-party payor reimbursement of patients and health care providers and prices for health care products and services vary significantly and, in the case of pharmaceuticals, are generally lower than those in the United States. In Western Europe, where government reimbursement of health care costs is widespread, governments are requiring price reductions. The economic integration by European Union members and the introduction of the euro are also impacting pricing in these markets, as more affluent member countries are requesting prices for health care products and services comparable to those in less affluent member countries. In Latin America, where there is less government reimbursement of health care costs, many of our products are paid for by private health care systems covering a small portion of the population. As a result, economic conditions in this region have a significant impact on prices and demand for health care products and services. For example, we have recently experienced a decline in sales in Argentina, one of our largest markets in the region, as a result of economic conditions in that country. In most of the countries in Asia, average income levels are low, government reimbursement for the cost of health care products and services is limited and prices and demand are sensitive to general economic conditions. However, many Asian countries have rebounded from the economic crisis of 1997 and 1998 and demand for our products in this region has been rising. By contrast, Japan, which has extensive private and government reimbursement for health care costs, has not seen significant efforts to control prices despite experiencing a combination of flat economic growth and an aging population. However, regulatory approval times are long and costs are very high in Japan, which delays the marketing of our pharmaceutical products there.

Currency Fluctuations

Our products are sold in over 180 countries, and we sell products in a number of currencies in our Alcon International business segment. Our consolidated financial statements, which are presented in U.S. dollars, are impacted by currency exchange rate fluctuations through both translation risk and transaction risk. Translation risk is the risk that our financial statements for a particular period are affected by changes in the prevailing exchange rates of the various currencies of our subsidiaries relative to the U.S. dollar. Transaction risk is the risk that the currency structure of our costs and liabilities deviates to some extent from the currency structure of our sales proceeds and assets.

Our translation risk exposures are principally to the euro and Japanese yen. With respect to transaction risk, because a significant percentage of our operating expenses are incurred in the currency in which sales proceeds are received, we do not have a significant net exposure. In addition, substantially all of our assets which are denominated in currencies other than the U.S. dollar are supported by loans or other liabilities of similar amount denominated in the same currency. From time to time, we purchase or sell currencies forward to hedge currency risk in obligations or receivables; these transactions are designed to address transaction risk, not translation risk. Our Japanese and South African subsidiaries purchase goods from some of our subsidiaries in U.S. dollars and hedge a portion of these intercompany liabilities using forward contracts. We have not experienced significant gains or losses as a result of these hedging activities.

Generally, a weakening of the U.S. dollar against other currencies has a positive effect on our sales and profits while a strengthening of the U.S. dollar against other currencies has a negative effect on our sales and profits. We experienced negative currency impacts as a result of the strengthening of the U.S. dollar during 1999, 2000 and 2001. During 1999 and 2000, the negative currency impact was primarily due to the increase in the value of the U.S. dollar versus the major European currencies. During 2001, the primary cause of the negative currency impact was the strengthening of the U.S. dollar against the major European currencies and the Japanese yen, with lesser negative impacts relating to the Canadian, Australian and Brazilian currencies. We expect the currency devaluation and weak economic conditions in Argentina to have a negative impact on our revenues and profits in Argentina in 2002. We refer to the effects of currency fluctuations and exchange rate movements throughout this "Management's Discussion and Analysis of Financial Condition and Results of Operations," which we have computed by applying translation rates from the prior comparative period to the more recent period amounts and comparing those results to the more recent period actual results.

Operating Revenues and Expenses

We generate revenues largely from sales of ophthalmic pharmaceutical products, ophthalmic surgical equipment and devices and contact lens care and other vision care products. Our operating revenues and operating income are affected by various factors including unit volume, price, currency fluctuations, acquisitions, licensing and the mix between lower-margin and higher-margin products.

Sales of ophthalmic pharmaceutical products are primarily driven by the development of safe and effective products that can be differentiated from competing products in the treatment of ophthalmic diseases and disorders and increased market acceptance of these new products. Inclusion of pharmaceutical products on managed care formularies covering the largest possible number of patients is another key competitive factor. We face significant competition in ophthalmic pharmaceuticals, including competition from other companies with an ophthalmic focus and from larger pharmaceutical companies. In general, sales of our pharmaceutical products are not affected by general economic conditions, although we face pressure to reduce prices from governments and United States managed care organizations. We experience seasonality in our ocular allergy medicines, with a large increase in sales in the spring and a lesser increase during the fall. Costs of goods sold for our pharmaceutical products include materials, labor, overhead and royalties.

Our surgical product category includes three product lines: cataract, vitreoretinal and refractive. Sales of our products for cataract and vitreoretinal surgery are driven by technological innovation, demographic trends and relationships with surgeons. We believe that our innovative and leading technology, the strong relationships we establish by supporting physician training and our ability to package a broad range of proprietary products into customized surgical procedure packs, tailored to each surgeon's preference, are the keys to our success in these product categories. Declining government reimbursements for cataract procedures continually puts pressure on our prices. However, the number of cataract and vitreoretinal surgical procedures is not generally affected by general economic conditions. Sales of our refractive surgical equipment and the related technology fees are driven by consumer demand for laser refractive surgery. We sell lasers and other surgical equipment used to perform laser refractive surgeries and, in the United States, charge a technology fee for each surgery performed (one eye equals one surgery). Outside of the United States, we generally do not charge a technology fee, although we anticipate charging a technology fee upon the introduction of our LADARWave™ Custom Cornea® Wavefront System when it is used to guide our laser to perform a customized procedure. Because governments and private insurance companies generally do not cover the costs of laser refractive surgery, sales of laser refractive surgical products and related technology fees are sensitive to changes in general economic conditions and consumer confidence. There is no significant seasonality in our surgical business. Costs of goods sold for our surgical products include raw materials, labor, overhead, royalties to licensors and warranty costs. Operating income from cataract and vitreoretinal products is driven by the number of procedures in which our products are used. Operating income from laser refractive surgical equipment depends primarily on the number of procedures for which we are able to collect technology fees.

Sales of our contact lens care products are driven by ophthalmologist, optometrist and optician recommendations of lens care systems, our provision of starter kits to eye care professionals, and consumer preferences for more convenient contact lens care solutions. Contact lens care products compete largely on product attributes, brand familiarity, professional recommendations and price. The use of less-advanced cleaning methods, especially outside of the United States, also affects demand for our contact lens care products. There is no seasonality in sales of contact lens care products, and we have experienced little impact from general economic conditions to date, although in low-growth economic environments consumers may switch to lower-priced brands. Costs of goods sold for contact lens care products include materials, labor, overhead and royalties. Operating income from contact lens care products is driven by market penetration and unit volumes.

Our selling, general and administrative costs include the costs of selling, promoting and distributing our products and managing the organizational infrastructure of our business. The largest portion of these costs is salary for sales and marketing staff. During the first half of 2002, we expect to incur additional marketing expenses related to the launch of TRAVATAN® in Europe and higher TRAVATAN® marketing expenses in the United States than were incurred in the first half of 2001.

Research and development costs include basic research, pre-clinical development of products, clinical trials, regulatory expenses and certain technology licensing costs. The largest portion of our research and development expenses relates to the research, development and regulatory approval of pharmaceutical products. During 2000 and 2001, a greater proportion of our research and development expenses were incurred during the second half of the year than during the first half.

Our amortization costs relate to our acquisitions and the licensing of intangible assets. Effective July 7, 2000, we acquired Summit for a total purchase price of $948.0 million, which resulted in intangible assets of $954.5 million that we will amortize over their estimated useful lives.

We expect to incur a one-time $22.4 million charge to operating income during the first quarter of 2002 related to the conversion of an employee deferred compensation plan.

We made a CHF 2.1 billion (or approximately $1.23 billion) dividend payment to Nestlé on March 20, 2002 in connection with Alcon's initial public offering of common shares as discussed in Note 1 to the Consolidated Financial Statements. This payment was funded by the liquidation of cash equivalents as well as additional short-term borrowings. The decrease in cash, liquidation of cash equivalents and increase in short-term borrowings will reduce our interest income and increase our interest expense following this payment. Using the average interest rates for 2001, the dividend payment to Nestlé would decrease annual interest income by approximately $37.6 million and increase annual interest expense by approximately $17.0 million from comparable amounts in 2001.

Results of Operations

The following table sets forth, for the periods indicated, selected items from our consolidated financial statements prepared under U.S. GAAP.

(in millions, except percentages)	1999	2000	2001	As a % of Sales 1999	As a % of Sales 2000	As a % of Sales 2001
United States	$1,263.2	$1,333.4	$1,464.6	52.6%	52.2%	53.3%
International	1,137.8	1,220.2	1,283.1	47.4	47.8	46.7
Total sales	2,401.0	2,553.6	2,747.7	100.0	100.0	100.0
Costs of goods sold	719.1	749.7	798.3	30.0	29.4	29.1
Gross profit	1,681.9	1,803.9	1,949.4	70.0	70.6	70.9
Selling, general and administrative	805.2	855.8	953.7	33.5	33.5	34.7
Research and development	213.1	246.3	289.8	8.9	9.6	10.5
In process research and development	–	18.5	–	–	0.7	–
Amortization of intangibles	46.4	86.5	117.0	1.9	3.4	4.3
Operating income	617.2	596.8	588.9	25.7	23.4	21.4
Gain (loss) from foreign currency, net	10.7	0.1	(4.8)	0.4	0.0	(0.2)
Interest income	13.7	44.1	46.6	0.6	1.7	1.7
Interest expense	(54.4)	(86.3)	(107.7)	(2.3)	(3.4)	(3.9)
Other, net	–	–	(9.1)	–	–	(0.3)
Earnings before income taxes	587.2	554.7	513.9	24.4	21.7	18.7
Income taxes	240.3	223.0	198.3	10.0	8.7	7.2
Net earnings	$ 346.9	$ 331.7	$ 315.6	14.4%	13.0%	11.5%

The following table sets forth, for the periods indicated, our sales and operating profit by business segment under IAS.

(in millions, except percentages)	1999	2000	2001	As a % of Sales 1999	As a % of Sales 2000	As a % of Sales 2001
ALCON UNITED STATES:						
Pharmaceutical	$ 455.5	$ 513.9	$ 582.9	36.1%	38.5%	39.8%
Surgical	562.9	589.2	639.7	44.6	44.2	43.7
Contact lens care and other vision care	244.8	230.3	242.0	19.3	17.3	16.5
Total sales	$1,263.2	$1,333.4	$1,464.6	100.0%	100.0%	100.0%
Operating income[1]	$ 557.2	$ 519.6	$ 571.1	44.1%	39.0%	39.0%

Sales and operating profit by business segment under IAS (Continued)

	1999	2000	2001	As a % of Sales 1999	2000	2001
(in millions, except percentages)						
ALCON INTERNATIONAL:						
Pharmaceutical	$ 324.1	$ 322.3	$ 344.9	28.5%	26.4%	26.9%
Surgical	597.2	674.7	718.0	52.5	55.3	55.9
Contact lens care and other vision care	216.5	223.2	220.2	19.0	18.3	17.2
Total sales	$1,137.8	$1,220.2	$1,283.1	100.0%	100.0%	100.0%
Operating income[1]	$ 328.0	$ 380.1	$ 402.6	28.8%	31.2%	31.4%

[1] *Segment performance is measured based on sales and operating income reported in accordance with IAS. The principal differences between the IAS accounting policies used to generate segment results and our overall accounting policies under U.S. GAAP include differences in intangible asset cost and lives and in-process research and development (expensed for U.S. GAAP but not for IAS). Certain manufacturing costs and manufacturing variances are not assigned to business segments because most manufacturing operations produce products for more than one business segment. Research and development costs, excluding regulatory costs which are included in the business segments, are treated as general corporate costs and are not assigned to business segments.*

The following table sets forth, for the periods indicated, Alcon International's sales and our consolidated sales by product category, and includes the change in sales and change in sales in constant currency calculated by applying rates from the earlier period. All of Alcon United States' sales are in U.S. dollars, and therefore it does not experience any currency translation gains or losses.

	1999	2000	Change	Change in Constant Currency	2000	2001	Change	Change in Constant Currency
(in millions, except percentages)								
ALCON INTERNATIONAL:								
Pharmaceutical	$ 324.1	$ 322.3	(0.6)%	5.6%	$ 322.3	$ 344.9	7.0%	13.5%
Surgical	597.2	674.7	13.0	17.9	674.7	718.0	6.4	14.2
Contact lens care and other vision care	216.5	223.2	3.1	7.2	223.2	220.2	(1.3)	6.3
Total sales	$1,137.8	$1,220.2	7.2	12.4	$1,220.2	$1,283.1	5.2	12.5
TOTAL:								
Pharmaceutical	$ 779.6	$ 836.2	7.3	9.9	$ 836.2	$ 927.8	11.0	13.5
Surgical	1,160.1	1,263.9	8.9	11.3	1,263.9	1,357.7	7.4	11.6
Contact lens care and other vision care	461.3	453.5	(1.7)	0.1	453.5	462.2	1.9	5.7
Total sales	$2,401.0	$2,553.6	6.4 %	8.8%	$2,553.6	$2,747.7	7.6%	11.1%

Year ended December 31, 2000 Compared to Year Ended December 31, 2001

Sales

Sales increased 7.6% from $2,553.6 million in the year ended December 31, 2000 to $2,747.7 million in 2001, mainly due to a weighted growth of 9.2% in unit volume (excluding the Summit acquisition) and offset in part by a 3.5% negative currency impact due to the strength of the U.S. dollar compared to most major currencies. At a constant exchange rate and excluding the impact of the Summit acquisition, sales increased by 9.5% during this period. Our pharmaceutical sales during this period experienced growth of 11.0%, driven by increased sales of our key pharmaceutical products and the launch of TRAVATAN®. Sales of surgical products and contact lens care and other vision care products grew 7.4% and 1.9%, respectively, during the period. Our surgical sales for the year ended December 31, 2001 included twelve months of sales of refractive products and related fees while our surgical sales for 2000 only included sales of refractive products from July 7, 2000 to December 31, 2000, as a result of the Summit acquisition.

Sales by Alcon United States increased 9.8% from $1,333.4 million in the year ended December 31, 2000 to $1,464.6 million in 2001, principally from increases in unit volume (excluding the Summit acquisition) and a 2.4% increase in sales as a result of the Summit acquisition. Pharmaceutical sales by Alcon United States increased 13.4% from $513.9 million in the year ended December 31, 2000 to $582.9 million in 2001, with strong performance across major products, including TobraDex®, Patanol®, Ciloxan® and Cipro®

HC Otic, and the launch of TRAVATAN®. Surgical product sales by Alcon United States rose 8.6% from $589.2 million in the year ended December 31, 2000 to $639.7 million in 2001, mainly due to the Summit acquisition, but partially offset by weaker refractive sales during the second half of 2001, and growth of 3.4% in sales of cataract and vitreoretinal products, mostly arising from increases in market share. Contact lens care and other vision care product sales by Alcon United States increased 5.1% from $230.3 million in the year ended December 31, 2000 to $242.0 million in 2001. Most of this growth in contact lens care product sales resulted from market share gains by OPTI-FREE® EXPRESS® NoRub™, partially offset by declines in sales of our daily and enzymatic contact lens care products.

Sales by Alcon International increased 5.2% from $1,220.2 million in the year ended December 31, 2000 to $1,283.1 million in 2001, mainly due to a strong increase in unit volumes (excluding the Summit acquisition) that was largely offset by a 7.4% decline due to negative currency fluctuations from the strengthening of the U.S. dollar against most major currencies. At a constant exchange rate and excluding the Summit acquisition, sales outside of the United States increased 11.8%, driven largely by growth across all major European countries, Canada, Taiwan and Brazil in addition to developing countries in Eastern Europe and Asia. Pharmaceutical sales by Alcon International increased 7.0% (or 13.5% excluding the impact of currency fluctuations) from $322.3 million in the year ended December 31, 2000 to $344.9 million in 2001, mainly due to the registration and launch of Azopt® in additional countries and to a lesser extent due to growth in sales of TobraDex®. Surgical product sales by Alcon International increased 6.4% (or 14.2% excluding the impact of currency fluctuations) from $674.7 million in the year ended December 31, 2000 to $718.0 million in 2001 as a result of increases in sales of cataract products, particularly AcrySof® single-piece intraocular lenses, Custom Paks® and viscoelastics, which are viscous liquids used to maintain the shape of the eye during cataract surgery, and vitreoretinal products, together with additional sales associated with our acquisition of Summit, which accounted for almost half of the growth. Contact lens care and other vision care products sales by Alcon International declined 1.3% (but would have risen 6.3% on a constant currency basis) from $223.2 million in the year ended December 31, 2000 to $220.2 million in 2001 reflecting negative currency fluctuations, which were largely offset by increased sales of OPTI-FREE® multi-purpose disinfecting solution in Japan. In most markets outside of Japan, the contact lens care market declined as consumers continued to convert to frequent replacement lenses and one-step multi-purpose disinfecting solutions which sharply reduced sales of enzymatic and other daily cleaners.

Gross Profit

Gross profit increased 8.1% from $1,803.9 million in the year ended December 31, 2000 to $1,949.4 million in 2001, resulting in an increase in gross profit as a percentage of sales from 70.6% in the year ended December 31, 2000 to 70.9% in 2001. This increase in gross margin was due mainly to strong sales of our pharmaceutical products and intraocular lenses and lower average manufacturing costs per unit, which offset the negative currency impact of the strengthening of the U.S. dollar during the last three quarters of 2001.

Operating Expenses

Selling, general and administrative expenses increased 11.4% from $855.8 million in the year ended December 31, 2000 to $953.7 million in 2001. This increase was due mainly to an increase in the size of our sales force, principally in the second half of 2001, in connection with the launch of TRAVATAN® and other expenses related to this launch and more frequent use of direct-to-consumer advertising campaigns. Research and development expenses increased 17.7% from $246.3 million in the year ended December 31, 2000 to $289.8 million in 2001, excluding our write-off of in-process research and development of $18.5 million in 2000 as a result of the Summit acquisition. This increase represents continued investment across all major therapeutic areas. Amortization of intangible assets increased 35.3% from $86.5 million in the year ended December 31, 2000 to $117.0 million in 2001. Amortization of intangible assets arising as a result of the acquisition of Summit (totaling approximately $36.0 million in 2000 and $72.0 million in 2001) is primarily responsible for this increase.

Operating Income

Operating income decreased 1.3% from $596.8 million in the year ended December 31, 2000 to $588.9 million in 2001 and decreased as a percentage of sales from 23.4% to 21.4% mainly due to increased selling expenses, research and development expenses and amortization.

Alcon United States business segment operating income increased 9.9% from $519.6 million in the year ended December 31, 2000 to $571.1 million in 2001. This increase was due mainly to improved gross margins and control of general and administrative expenses, which were partially offset by additional amortization expenses associated with the Summit acquisition, an increase in the size of our sales force and higher marketing expenditures.

Alcon International business segment operating income increased 5.9% from $380.1 million in the year ended December 31, 2000 to $402.6 million in 2001, reflecting higher gross margins and improved cost controls.

Operating income for the Alcon United States and Alcon International business segments does not include: (1) certain manufacturing costs (e.g., manufacturing operation period costs and manufacturing variances); (2) all research and development costs other than regulatory costs; and (3) certain other general corporate expenses. Operating income for these two business segments is determined in accordance with IAS.

Interest and Other Expenses

Interest income increased 5.7% from $44.1 million in the year ended December 31, 2000 to $46.6 million in 2001, due to higher levels of short-term investments. Interest expense increased 24.8% from $86.3 million in the year ended December 31, 2000 to $107.7 million in 2001, mainly due to increased interest expense (totaling approximately $33.0 million in 2000 and $60.0 million in 2001) arising from higher borrowings used to finance the Summit acquisition. Foreign currency gain decreased from a $0.1 million gain in the year ended December 31, 2000 to a $4.8 million loss in 2001. Other, net for the year ended December 31, 2001 includes a $9.1 million impairment loss on a marketable equity investment acquired as a result of the acquisition of Summit.

Income Tax Expense

Income taxes declined 11.1% from $223.0 million in the year ended December 31, 2000 to $198.3 million in 2001 as a result of the taxation of a larger portion of our earnings in jurisdictions with lower tax rates, thereby reducing our effective tax rate from 40.2% during 2000 to 38.6% during 2001.

Net Earnings

Net earnings decreased 4.9% from $331.7 million in the year ended December 31, 2000 to $315.6 million in 2001. Excluding the impact of interest and amortization expense related to the acquisition of Summit, net of taxes, net earnings increased by 7.7% from 2000 to 2001.

Year ended December 31, 1999 Compared to the Year Ended December 31, 2000

Sales

Sales increased 6.4% from $2,401.0 million in the year ended December 31, 1999 to $2,553.6 million in 2000, largely as a result of growth in unit volume (excluding the Summit acquisition) of 7.1%, which was partially offset by a negative 2.4% impact from currency fluctuations. During this period, growth across much of our pharmaceutical and surgical product categories drove the increase while sales of contact lens care and other vision care products declined by 1.7%.

Alcon United States' sales increased 5.6% from $1,263.2 million in the year ended December 31, 1999 to $1,333.4 million in 2000, mainly due to an increase in unit volume (excluding the Summit acquisition) and a 2.4% increase as a result of the Summit acquisition. Pharmaceutical sales by Alcon United States increased 12.8% from $455.5 million in the year ended December 31, 1999 to $513.9 million in 2000, with strong sales performance across key pharmaceutical products, including TobraDex®, Patanol®, Ciloxan®, Azopt®, Timolol GFS and Cipro® HC Otic. Surgical product sales by Alcon United States increased 4.7% from $562.9 million in the year ended December 31, 1999 to $589.2 million in 2000, reflecting the Summit acquisition during the second half of 2000. Contact lens care and other vision care product sales by Alcon United States declined 5.9% from $244.8 million during the year ended December 31, 1999 to $230.3 million in 2000, due to a decrease in contact lens care product sales resulting from the continued conversion by consumers to frequent replacement lenses and one-step, multi-purpose disinfecting solutions.

Sales by Alcon International increased 7.2% from $1,137.8 million in the year ended December 31, 1999 to $1,220.2 million in 2000, mainly due to a strong increase in unit volume (excluding the Summit acquisition) partially offset by a negative 5.2% impact from currency fluctuations resulting from a strengthening of the U.S. dollar against most major currencies. At constant exchange rates and excluding the Summit acquisition, sales by Alcon International increased 12.2%, driven mainly by increases in most major European markets, Australia, Japan, Brazil and Mexico. Pharmaceutical sales by Alcon International were flat in the year ended December 31, 2000 as compared to sales in 1999, mainly due to unfavorable currency fluctuations. Excluding the impact of currency fluctuations, pharmaceutical sales by Alcon International increased 5.6% mainly due to the registration and launch of Azopt® in additional countries and growth from several other pharmaceutical products. Surgical product sales by Alcon

International increased 13.0% (or 17.9% excluding the impact of currency fluctuations) from $597.2 million in the year ended December 31, 1999 to $674.7 million in 2000, mainly due to growth across all major cataract and vitreoretinal products, particularly AcrySof®, viscoelastics, Custom Paks®, surgical equipment and related accessories and disposables. Sales of our contact lens care and other vision care products by Alcon International increased 3.1% (or 7.2% excluding the impact of currency fluctuations) from $216.5 million in the year ended December 31, 1999 to $223.2 million in 2000, primarily due to increased sales of our OPTI-FREE® disinfecting solution in Japan and sales of other vision care products which offset a decline in contact lens care cleaning product sales.

Gross Profit

Gross profit increased 7.3% from $1,681.9 million in the year ended December 31, 1999 to $1,803.9 million in 2000, resulting in a slight increase in gross profit as a percentage of sales from 70.0% in the year ended December 31, 1999 to 70.6% in 2000. This slight increase in gross margin was due mainly to sales of our pharmaceutical products and intraocular lenses and lower average manufacturing costs per unit.

Operating Expenses

Selling, general and administrative expenses increased 6.3% from $805.2 million in the year ended December 31, 1999 to $855.8 million in 2000 but remained constant as a percentage of sales. This increase in expenses resulted largely from an increase in the size of our primary care sales force and the integration costs related to the Summit acquisition. Research and development expenses increased 15.6% from $213.1 million in the year ended December 31, 1999 to $246.3 million in 2000, excluding our write-off of in-process research and development of $18.5 million in 2000 in connection with the Summit acquisition. This increase in research and development expenses represents continued investment across pharmaceutical and surgical products and higher regulatory expenses incurred in several countries in connection with the registration of products. Amortization of intangible assets increased 86.4% from $46.4 million in the year ended December 31, 1999 to $86.5 million in 2000 primarily due to the acquisition of Summit, resulting in approximately $36.0 million of additional amortization.

Operating Income

Operating income declined 3.3% from $617.2 million in the year ended December 31, 1999 to $596.8 million in 2000 and fell as a percentage of sales from 25.7% to 23.4%. This decline in operating income was due mainly to increased selling, general and administrative expenses, increased amortization of goodwill and other intangible assets and our write-off of in-process research and development, all related to the Summit acquisition, and increased research and development spending.

Operating income for the Alcon United States business segment declined 6.7% from $557.2 million in the year ended December 31, 1999 to $519.6 million in 2000, mainly due to an increase in amortization expense and integration costs related to the Summit acquisition.

Operating income for the Alcon International business segment increased 15.9% from $328.0 million in the year ended December 31, 1999 to $380.1 million in 2000, mainly due to improved gross margins and control of general and administrative expenses.

Operating income for the Alcon United States and Alcon International business segments does not include: (1) certain manufacturing costs (e.g., manufacturing operation period costs and manufacturing variances); (2) all research and development costs other than regulatory costs; and (3) certain other general corporate expenses. Operating income for these two business segments is determined in accordance with IAS.

Interest and Other Expenses

Interest income increased 221.9% from $13.7 million in the year ended December 31, 1999 to $44.1 million in 2000, reflecting higher levels of short-term investments in 2000. Interest expense increased 58.6% from $54.4 million in the year ended December 31, 1999 to $86.3 million in 2000, reflecting increased interest expense (totaling approximately $33.0 million) resulting from higher levels of borrowing used to finance the Summit acquisition. Foreign currency gain decreased from $10.7 million in the year ended December 31, 1999 to $0.1 million in 2000.

Income Tax Expense

Income tax expense declined 7.2% from $240.3 million in the year ended December 31, 1999 to $223.0 million in 2000, mainly due to lower earnings before income taxes. As a result of the increase in non-deductible expenses associated with the Summit acquisition, including goodwill amortization expense, and in-process research and development, our effective tax rate decreased from 40.9% in 1999 to 40.2% in 2000.

Net Earnings

Net earnings declined 4.4% from $346.9 million in the year ended December 31, 1999 to $331.7 million in 2000. Excluding the impact of interest and amortization expenses related to the Summit acquisition, net of taxes, net earnings increased by 9.7%.

Sales by Quarter

The following table sets forth our sales by quarter since 1999.

		Unaudited	
(in millions)	1999	2000	2001
First	$ 583	$ 610	$ 655
Second	622	699	746
Third	595	608	676
Fourth	601	637	671
Total	$2,401	$2,554	$2,748

Our quarterly sales trends reflect the seasonality in several products, including ocular allergy products and Cipro® HC Otic, in the form of increased sales during the spring months. Sales of selected products increased in the second quarter of 2000 due to promotional activities, which resulted in increased wholesaler inventory levels and decreased wholesaler purchases of these products in the third quarter of 2000. In the fourth quarter of 2000, we experienced an increase in wholesaler inventory levels, which we believe were due to expected price increases in 2001.

Liquidity and Capital Resources

In the year ended December 31, 2001, we generated operating cash flow of $528.5 million. Net cash used in investing activities in the year ended December 31, 2001 was $134.1 million, including $127.4 million of capital expenditures primarily related to improvements in our manufacturing facilities. During this period, we also acquired intangible assets at a cost of $10.9 million. Our annual capital expenditures over the last three years were $99.4 million in 1999 and $117.1 million in 2000, and $127.4 million in 2001, principally to expand and upgrade our manufacturing facilities. We have capital expenditure commitments of $16.0 million at December 31, 2001, principally to expand and upgrade our manufacturing facilities. We expect to fund these capital expenditures through operating cash flow and, if necessary, short-term borrowings. Financing activities in the year ended December 31, 2001 used cash of $155.5 million, as cash generated by our operations was used to pay down outstanding short-term debt.

We expect to meet our current liquidity needs, including the CHF 2.1 billion (or approximately $1.23 billion) dividend payment to Nestlé, principally through cash and cash equivalents, the liquidation of short-term investments and, to the extent necessary, short-term borrowings. We expect to meet future liquidity requirements through our operating cash flows and through sales of commercial paper under the facility described below under the heading "Credit Facilities", the combination of which we believe would be sufficient even if our sales were adversely impacted.

Credit Facilities

We have approximately $2.9 billion in total lines of credit available worldwide. We had a $600 million unsecured revolving credit facility with Nestlé with an outstanding balance of $315 million as of December 31, 2001. Alcon Holdings, Inc., one of our U.S. subsidiaries, has a $1 billion unsecured, revolving credit facility with Nestlé Capital Corporation under which there was an outstanding balance of $167 million as of December 31, 2001. Nestlé Capital Corporation loans funds to Alcon Holdings under this facility at interest rates approximately equal to the rate at which Nestlé Capital Corporation is able to sell commercial paper. Alcon Holdings also has a $600 million term loan from Nestlé, which matures in 2009 with an annual interest rate of 7.89%. The remainder of our subsidiaries had lines of credit totaling $599 million under which there was an aggregate outstanding balance of $323 million as of December 31, 2001. Approximately $83 million of these outstanding balances were under lines with Nestlé subsidiaries in their respective countries. Additional lines are arranged or provided by a number of international financial institutions, the most significant of which had the following aggregate limits:

Citibank ($130 million); Fuji Bank ($53 million); ABN AMRO ($38 million); and Société Générale ($39 million). These facilities are primarily short-term and generally have interest rates reflecting local market rates.

We expect to cancel most of our credit facilities with Nestlé and repay most of our outstanding loans to it. We expect to retain our existing bank credit lines and have established a $2 billion commercial paper facility to refinance loans from Nestlé and to provide liquidity in the future in addition to operating cash flows. Nestlé has agreed to guarantee the commercial paper that we issue under this program and to assist us in the management of our commercial paper facility for an annual fee based on our average outstanding commercial paper balances, which we believe is comparable to the fee that would be available in an arm's length transaction.

Cash and Investment Availability

At December 31, 2001, we had approximately $1.20 billion in cash and cash equivalents and investments. Short-term deposits with Nestlé accounted for approximately $1.1 billion of this total, with the remainder invested around the world. We used substantially all of these funds to make the CHF 2.1 billion (or approximately $1.23 billion) dividend payment to Nestlé on March 20, 2002.

Market Risk

Interest Rate Risks

Because we have and will continue to finance our operations, in part, through loans, we are exposed to interest rate risks. In 2000, Alcon Holdings entered into a $600 million long-term, fixed-rate loan with Nestlé to fund the acquisition of Summit. This loan represents approximately 40% of our consolidated debt at December 31, 2001. The remainder of our loans are primarily short-term, floating-rate loans that will become more expensive when interest rates rise and less expensive when they fall. Historically, we have mitigated this risk by making floating-rate deposits with Nestlé that totaled $1.1 billion at December 31, 2001. On March 20, 2002, we used substantially all of these investments to make the CHF 2.1 billion (or approximately $1.23 billion) dividend payment to Nestlé.

Credit Risks

In the normal course of our business, we incur credit risk because we extend trade credit to our customers. We believe that these credit risks are well-diversified, and our internal staff actively manages these risks. Our principal concentrations of trade credit are generally with large and financially sound corporations, such as large retailers and grocery chains, drug wholesalers and governmental agencies. As part of our sales of surgical equipment, we frequently finance the purchase of our equipment and enter into leases and other financial transactions with our customers. In general, these loans and other transactions range in duration from one to five years and in principal amount from $50,000 to $700,000. We conduct credit analysis on the customers we finance and secure the loans and leases with the purchased surgical equipment. Over the last 15 years, we have offered financing programs for cataract equipment with no significant losses. Our customer financing program for laser refractive surgical equipment has a shorter history, is of a larger size and has less credit strength and asset value for security. In countries that have a history of high inflation, such as Turkey, Brazil and Argentina, the credit risks to which we are exposed can be larger and less predictable.

We conduct some of our business through export operations and are exposed to country credit risk. This risk is mitigated by the use, where applicable, of letters of credit confirmed by large commercial banks in Switzerland and the United States.

Quantitative Disclosure Concerning Market Risk

Currency Risks

We are exposed to market risk from changes in currency exchange rates that could impact our results of operations and financial position. We manage our exposure to these currency risks through our regular operating and financing activities and, when appropriate, through the use of derivative financial instruments. We use derivative financial instruments as risk management tools and not for speculative purposes.

We use forward contracts to manage the volatility of non-functional currency cash flows resulting from changes in exchange rates. Currency exchange contracts are used to hedge intercompany purchases and sales. The use of these derivative financial instruments allows us to reduce our overall exposure to exchange rate fluctuations, since the gains and losses on these contracts substantially offset losses and gains on the assets, liabilities and transactions being hedged.

The fair value of currency exchange contracts is subject to changes in currency exchange rates. For the purpose of assessing specific risks, we use a sensitivity analysis to determine the effects that market risk exposures may have on the fair value of our financial instruments and results of operations. The financial instruments included in our sensitivity analysis are currency forward contracts. Such contracts generally have a duration of three to six months and are used to hedge transactions that are firmly committed on the date the forward contract is entered into or are anticipated to occur within six months of that date. The sensitivity analysis excludes the values of foreign currency denominated receivables and payables because of their short maturities. To perform the sensitivity analysis, we assess the risk of loss in fair values from the effect of a hypothetical 10% change in currency exchange spot rates and assuming no change in interest rates. For contracts outstanding as of December 31, 2001, a 10% appreciation in currency exchange rates against the U.S. dollar from the prevailing market rates would have increased our pre-tax earnings by approximately $13.2 million. Conversely, a 10% depreciation in these exchange rates from the prevailing market rates would have decreased our pre-tax earnings by approximately $13.2 million. Consistent with the nature of the economic hedge of such currency exchange contracts, such gains or losses would be offset by corresponding decreases or increases, respectively, of the underlying instrument or transaction being hedged.

The model used to perform the sensitivity analysis assumes a parallel shift in all currency exchange spot rates. Exchange rates, however, rarely move in the same direction. The assumption that all exchange rates change in a parallel manner does not necessarily represent the actual changes in fair value we would incur under normal market conditions because all variables other than the specific market risk are held constant.

While we hedge some non-U.S. dollar currency transactions, the decline in value of non-U.S. dollar currencies may, if not reversed, adversely affect our ability to contract for product sales in U.S. dollars because our products may become more expensive to purchase in U.S. dollars for local customers doing business in the countries of the affected currencies.

Interest Rate Risks

We are exposed to market risk from changes in interest rates that could impact our results of operations and financial position. As of December 31, 2001, approximately 40% of our debt was long-term fixed-rate loans. We also had short-term floating-rate investments and deposits equal to approximately 136% of our short-term floating-rate debt at December 31, 2001. The excess amount of our short-term investments and deposits over our short-term debt is exposed to fluctuations in short-term interest rates. A 1% increase in short-term interest rates would have increased our 2001 pre-tax earnings by $5.8 million and a 1% decrease in short-term interest rates would have decreased our 2001 pre-tax earnings by $5.8 million.

In-Process Research and Development

In connection with our acquisition of Summit, we immediately expensed $18.5 million of the Summit purchase price in the third quarter of 2000, representing amounts for in-process research and development, which we refer to as IPR&D, estimated at fair value. The expensed IPR&D represented the value of the Custom Cornea project that had not yet reached technological or commercial feasibility and for which the assets to be used in such project had no alternative future use. We expect that products developed from the acquired IPR&D will begin to generate sales and positive cash flows beginning in 2002. However, development of this technology remains at risk due to the remaining effort to achieve technological viability, rapidly changing customer markets, uncertain standards for new products and competitive threats.

We engaged an outside appraiser who estimated the fair value of the purchased IPR&D using a discounted cash flow model similar to the income approach. The value assigned to acquired IPR&D was determined by identifying products under research in areas for which technological feasibility had not been established. The IPR&D technology was then segmented into two classifications: (i) completed and (ii) to-be-completed, giving explicit consideration to the value created by research and development efforts of Summit prior to the acquisition and to be created by us after the acquisition. The analysis focused on the income-producing capability of the in-process technologies and taking into consideration (i) the analysis of the stage of completion of the project and (ii) the exclusion of value related to research and development to be completed as part of the on-going IPR&D project. Revenue estimates were based on (i) individual product revenues, (ii) anticipated growth rates, (iii) anticipated product development and introduction schedules, (iv) product sales cycles and (v) the estimated life of a product's underlying technology.

From the revenue estimates, operating expense estimates, including income taxes, and a charge for contributory assets were deducted to arrive at operating income. Revenue growth rates were estimated by our management and gave consideration to relevant market sizes and growth factors, expected industry trends and the anticipated nature and timing of new product introductions by us and our competitors. Operating expense estimates reflect our historical expense ratios. The resulting operating income stream was discounted to reflect its present value at the date of the acquisition. The rate used to discount the net cash flows from the purchased IPR&D was 25% which considered rates of return from investments in various areas of Alcon, and the inherent uncertainties in future revenue estimates from technology investments including the uncertainty surrounding the successful development of the acquired IPR&D.

We expect to fund all research and development efforts, including acquired IPR&D from cash flows from operations. As of December 2001, the Custom Cornea project was moving forward, with an expected launch date of 2002. Custom Cornea technology is designed to take advanced eye measurements from an aberrometer to determine the more subtle errors of the human visual optical system and combine this with the use of the LADARVision® laser and software, to define a customized pattern of ablations, which are removals of tissue, for the patient that will correct for these subtle errors. In the United States, this technology requires FDA approval. At the acquisition date, costs to complete these research and development efforts were expected to be $1.3 million. The estimated stage of completion at acquisition was 85%.

New Accounting Standards

In July 2001, the Financial Accounting Standards Board, or FASB, issued Statement No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets. Statement 141 requires that the purchase method of accounting be used for all business combinations. Statement 141 also specifies the criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. Statement 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment. Amortization expense related to goodwill and other intangible assets that will not be amortized under these new accounting standards was $8.6 million, $22.0 million and $36.0 million for the years ended December 31, 1999, 2000 and 2001, respectively. We do not expect to recognize any transitional impairment losses as a result of the adoption of these Statements.

In August 2001, the FASB issued Statement No. 144, Accounting for the Impairment or Disposal of Long Lived Assets. This statement supersedes Statement No. 121, Accounting for the Impairment of Long Lived Assets and for Long-Lived Assets to be Disposed Of and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. Statement 144 retains the fundamental provisions of Statement 121 but eliminates the requirement to allocate goodwill to long lived assets to be tested for impairment. This statement also requires discontinued operations to be carried at the lower of cost or fair value less costs to sell and broadens the presentation of discontinued operations to include a component of an entity rather than a segment of a business. Statement 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. We do not expect the adoption of this statement to have a material impact on our results of operations or financial position.

Cautionary Note
Regarding Forward-Looking Statements

This report contains forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by our forward-looking statements. Forward-looking statements include, but are not limited to, statements about: the progress of our research and development programs; the receipt of regulatory approvals; competition in our industry; the impact of pending or future litigation; the impact of any future product recalls; changes in, or the failure or inability to comply with, governmental regulation; the opportunities for growth, whether through internal development or acquisitions; exchange rate fluctuations; general economic conditions; and trends affecting the ophthalmic industry, our financial condition or results of operations.

Words such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "intend," "estimate," "project," "predict," "potential" and similar expressions are intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements represent our estimates and assumptions only as of the date of this report and are not intended to give any assurance as to future results. Factors that might cause future results to differ include, but are not limited to, the following:

- the production and launch of commercially viable products may take longer and cost more than expected;
- changes in reimbursement procedures by third-party payors;
- competition may lead to worse than expected financial condition and results of operations;
- currency exchange rate fluctuations may negatively affect our financial condition and results of operations;
- pending or future litigation may negatively impact our financial condition and results of operations;
- product recalls or withdrawals may negatively impact our financial condition or results of operations;
- government regulation or legislation may negatively impact our financial condition or results of operations;
- supply and manufacturing disruptions could negatively impact our financial condition or results of operations; and
- qualified personnel may not be available, which could negatively impact our ability to grow our business.

You should read this report with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. Except to the extent required under the federal securities laws and the rules and regulations promulgated by the Securities and Exchange Commission, we undertake no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

Independent
Auditors' Report

To the Board of Directors and Shareholder of Alcon, Inc.

We have audited the accompanying consolidated balance sheets of Alcon, Inc. and subsidiaries as of December 31, 2000 and 2001, and the related consolidated statements of earnings, shareholder's equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alcon, Inc. and subsidiaries as of December 31, 2000 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Fort Worth, Texas
February 1, 2002

Consolidated
Balance Sheets

December 31, *(in millions, except share data)*	2000	2001	2001 Pro Forma (Note 1)
Assets			
Current assets:			
Cash and cash equivalents	$ 912.0	$1,140.5	$ 140.5
Investments	54.3	61.9	61.9
Trade receivables, net	489.7	492.0	492.0
Inventories	344.2	379.5	379.5
Deferred income tax assets	143.9	147.4	147.4
Other current assets	100.7	48.5	48.5
Total current assets	$2,044.8	2,269.8	1,269.8
Property, plant and equipment, net	613.4	643.8	643.8
Intangible assets, net	1,138.8	1,008.2	1,008.2
Long term deferred income tax assets	40.5	98.1	98.1
Other assets	44.0	50.9	50.9
Total assets	$3,881.5	$4,070.8	$3,070.8
Liabilities and Shareholders' Equity (Deficit)			
Current liabilities:			
Accounts payable	$ 114.3	$ 108.6	$ 108.6
Short term borrowings	1,038.1	805.5	1,037.5
Current maturities of long term debt	45.8	29.4	29.4
Other current liabilities	596.3	667.8	667.8
Total current liabilities	1,794.5	1,611.3	1,843.3
Long term debt, net of current maturities	699.8	697.4	697.4
Long term deferred income tax liabilities	45.5	103.3	103.3
Other long term liabilities	240.3	269.2	269.2
Redeemable preferred shares	—	—	2,188.1
Contingencies (Note 14)			
Shareholders' equity (deficit):			
Common shares, par value CHF 0.20 per share, 300,000,000 shares authorized, issued and outstanding at December 31, 2000 and 2001; as adjusted for recapitalization, 230,250,000 issued and outstanding	42.9	42.9	32.9
Additional (deficit) paid-in capital	592.0	592.0	(1,952.6)
Accumulated other comprehensive loss	(91.4)	(110.8)	(110.8)
Retained earnings	557.9	865.5	—
Total shareholders' equity (deficit)	1,101.4	1,389.6	(2,030.5)
Total liabilities and shareholders' equity	$3,881.5	$4,070.8	$3,070.8

See accompanying notes to consolidated financial statements.

Consolidated
Statements of Earnings

Years ended December 31, *(in millions, except share data)*	1999	2000	2001
Sales	$2,401.0	$2,553.6	$2,747.7
Cost of goods sold	719.1	749.7	798.3
Selling, general and administrative	805.2	855.8	953.7
Research and development	213.1	246.3	289.8
In process research and development	—	18.5	—
Amortization of intangibles	46.4	86.5	117.0
Operating income	617.2	596.8	588.9
Other income (expense):			
Gain (loss) from foreign currency, net	10.7	0.1	(4.8)
Interest income	13.7	44.1	46.6
Interest expense	(54.4)	(86.3)	(107.7)
Other	—	—	(9.1)
Earnings before income taxes	587.2	554.7	513.9
Income taxes	240.3	223.0	198.3
Net earnings	$ 346.9	$ 331.7	$ 315.6
Basic and diluted earnings per common share	$ 1.22	$ 1.11	$ 1.05
Basic and diluted weighted average common shares	283,973,000	300,000,000	300,000,000

See accompanying notes to consolidated financial statements.

Consolidated
Statements of Shareholders' Equity and Comprehensive Income

(in millions, except share data)	Common stock Number of shares	Common stock Amount	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total
Balance, January 1, 1999	270,000,000	$39.1	$361.0	$ (32.0)	$ (3.9)	$ 364.2
Comprehensive income:						
Net earnings	—	—	—	—	346.9	346.9
Unrealized gains on investments	—	—	—	0.1	—	0.1
Foreign currency translation adjustments	—	—	—	(39.3)	—	(39.3)
Total comprehensive income						307.7
Capital contribution	30,000,000	3.8	231.0	—	—	234.8
Dividends	—	—	—	—	(112.6)	(112.6)
Balance, December 31, 1999	300,000,000	42.9	592.0	(71.2)	230.4	794.1
Comprehensive income:						
Net earnings	—	—	—	—	331.7	331.7
Unrealized losses on investments	—	—	—	(7.0)	—	(7.0)
Foreign currency translation adjustments	—	—	—	(13.2)	—	(13.2)
Total comprehensive income						311.5
Dividends	—	—	—	—	(4.2)	(4.2)
Balance, December 31, 2000	300,000,000	42.9	592.0	(91.4)	557.9	1,101.4
Comprehensive income:						
Net earnings	—	—	—	—	315.6	315.6
Unrealized gain on investments	—	—	—	0.4	—	0.4
Impairment loss on investment	—	—	—	7.3	—	7.3
Foreign currency translation adjustments	—	—	—	(27.1)	—	(27.1)
Total comprehensive income						296.2
Dividends	—	—	—	—	(8.0)	(8.0)
Balance, December 31, 2001	300,000,000	$42.9	$592.0	$(110.8)	$865.5	$1,389.6

See accompanying notes to consolidated financial statements.

Consolidated
Statements of Cash Flows

Years ended December 31, (in millions)	1999	2000	2001
Cash provided by (used in) operating activities:			
Net earnings	$346.9	$331.7	$ 315.6
Adjustments to reconcile net earnings to cash provided from operating activities:			
Depreciation	70.7	74.2	78.3
Amortization of intangibles	46.4	86.5	117.0
Deferred income taxes	(17.2)	4.4	(2.4)
In process research and development	—	18.5	—
(Gain) loss on sale of assets	1.7	(1.5)	1.4
Changes in operating assets and liabilities:			
Trade receivables	(90.2)	(54.6)	(27.6)
Inventories	17.1	(31.2)	(57.4)
Other assets	81.9	(54.7)	15.8
Accounts payable and other current liabilities	42.6	(16.2)	58.0
Other long term liabilities	(48.1)	35.7	29.8
Net cash from operating activities	451.8	392.8	528.5
Cash provided by (used in) investing activities:			
Proceeds from sale of assets	3.7	107.9	4.2
Purchases of property, plant and equipment	(99.4)	(117.1)	(127.4)
Purchase of intangible assets	(15.2)	—	(10.9)
Acquisitions, net of cash acquired	—	(863.0)	—
Net cash from investing activities	(110.9)	(872.2)	(134.1)
Cash provided by (used in) financing activities:			
Proceeds from issuance of long term debt	1.3	612.8	42.2
Net proceeds (repayment) from short term debt	198.8	307.3	(194.8)
Dividends to shareholder	(112.6)	(4.2)	(8.0)
Repayment of long term debt	(66.1)	(32.9)	(37.7)
Other	—	—	42.8
Net cash from financing activities	21.4	883.0	(155.5)
Effect of exchange rates on cash and cash equivalents	(1.6)	(2.1)	(10.4)
Net increase in cash and cash equivalents	360.7	401.5	228.5
Cash and cash equivalents, beginning of year	149.8	510.5	912.0
Cash and cash equivalents, end of year	$510.5	$912.0	$1,140.5
Supplemental disclosure of cash flow information:			
Cash paid during the year for the following:			
Interest expense, net of amount capitalized	$ 55.1	$ 85.6	$ 111.6
Income taxes	$178.9	$192.7	$ 146.1

See accompanying notes to consolidated financial statements.

Notes
to Consolidated Financial Statements

(in millions, except share data)

(1) Subsequent Events

Alcon, Inc., a Swiss corporation ("Alcon"), is a wholly-owned subsidiary of Nestlé S.A. ("Nestlé"). On September 20, 2001, the Board of Directors of Nestlé approved the exploration of an initial public offering (the "IPO") of a minority stake in Alcon.

In December 2001, Alcon declared a 5,000 for 1 share split on its common shares, in preparation for the IPO, resulting in 300,000,000 common shares outstanding. The impact of this share split has been retroactively applied to all periods presented.

Immediately prior to the IPO, Alcon expects to make a dividend payment to Nestlé of CHF 2,100 (or approximately $1,232 based on an exchange rate of U.S.$1.00 = CHF 1.704) which is expected to be financed by existing cash and cash equivalents and, if necessary, with additional borrowings. To the extent that the amount of this payment exceeds the Company's retained earnings, the excess is considered a return of capital under U.S. generally accepted accounting principles. The entire payment is considered a dividend under Swiss law.

In addition, prior to or immediately after the IPO, the Company expects to replace the majority of its borrowings from Nestlé with third-party borrowings most of which will be guaranteed by Nestlé.

Contingent upon the IPO, the Company will change certain provisions of its deferred compensation plan. These changes will result in a $22.4 charge to operating income ($14.1 net of tax) upon the completion of the IPO.

Prior to the completion of the IPO, Nestlé expects to convert 69,750,000 of the Alcon common shares it owns into 69,750,000 Alcon preferred shares. The preferred shares are not convertible into common shares and no preferred dividends will be paid. The proceeds, net of related costs including taxes, from the IPO are to be used to redeem the preferred shares. The redemption will become payable approximately two months subsequent to the completion of the IPO. If the underwriters' over-allotment option is exercised, the proceeds from this exercise will be used to repay short-term indebtedness and for general corporate purposes.

The pro forma balance sheet reflects the CHF 2,100 (or approximately $1,232) dividend payment to Nestlé and the conversion of common shares into preferred shares with an assumed redemption value of $2,188.1 as though they had occurred as of December 31, 2001. The pro forma balance sheet does not reflect the IPO proceeds or the redemption of the preferred shares.

(2) Summary of Significant Accounting Policies and Practices

(a) Description of Business

The principal business of Alcon and all of its subsidiaries (collectively, the "Company") is the development, manufacture and marketing of pharmaceuticals, surgical equipment and devices, contact lens care and other vision care products that treat eye diseases and disorders and promote the general health and function of the human eye. Due to the nature of the Company's worldwide operations, it is not subject to significant concentration risks.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the Company. All significant balances and transactions among the consolidated entities have been eliminated in consolidation. All consolidated entities are included on the basis of a calendar year.

(c) Management Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Actual results could differ from those estimates.

(d) Foreign Currency

The reporting currency of the Company is the United States dollar. The financial position and results of operations of the Company's foreign subsidiaries are generally determined using the local currency as the functional currency. Assets and liabilities of these subsidiaries have been translated at the rate of exchange at the end of each period. Revenues and expenses have been translated at the weighted average rate of exchange in effect during the period. Gains and losses resulting from translation adjustments are included in accumulated other comprehensive loss in shareholders' equity. The impact of subsidiaries located in countries whose economies are considered highly inflationary is insignificant. Gains and losses resulting from foreign currency transactions are included in nonoperating earnings.

(e) Cash and Cash Equivalents

Cash equivalents include demand deposits and all highly liquid investments with original maturities of three months or less.

(f) Inventories

Inventories are stated at the lower of cost or market. Cost is determined primarily using the first-in, first-out method.

(g) Investments

Investments consist of equity and fixed income securities classified as available-for-sale. Available-for-sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of accumulated other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis.

A decline in the market value of any available-for-sale investments that is deemed to be other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. Dividend and interest income are recognized when earned.

(h) Financial Instruments

The Company uses various derivative financial instruments on a limited basis as part of a strategy to manage the Company's exposure to certain market risks associated with interest rate and foreign currency exchange rate fluctuations. The Company evaluates the use of interest rate swaps and periodically uses such agreements to manage its interest risk on selected debt instruments. The Company does not enter into financial instruments for trading or speculative purposes.

The Company periodically uses foreign currency forward contracts to reduce the effect of fluctuating foreign currencies on foreign currency denominated intercompany transactions. The forward contracts establish the exchange rates at which the Company purchases or sells the contracted amount of local currencies for specified foreign currencies at a future date. The Company uses forward contracts, which are short-term in nature, and receives or pays the difference between the contracted forward rate and the exchange rate at the settlement date.

All derivatives are recognized on the balance sheet at their fair value. The Company currently has no material derivative instruments that qualify as a hedge as defined by Financial Accounting Standards Board Statement Number 133, Accounting for Derivative Instruments and Statement Number 138, Accounting for Derivative Instruments and Certain Hedging Activities. Accordingly, all changes in fair value of derivative instruments are recognized in the statements of earnings.

(i) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost. Additions, major renewals and improvements are capitalized while repairs and maintenance costs are expensed. Upon disposition, the book value of assets and related accumulated depreciation is relieved and the resulting gains or losses are reflected in earnings.

Depreciation on plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets which are as follows:

Land improvements	25 years
Buildings and improvements	25-50 years
Machinery, other equipment and software	3-12 years

(j) Intangible Assets

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is amortized on a straight-line basis over the expected periods to be benefited, which are 10 to 20 years. The Company assesses the recoverability of goodwill by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. The assessment of the recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved.

Other intangible assets consist of workforce, customer base, trademarks and patents, and licensed technology. The cost of other intangible assets is amortized straight line over the estimated useful lives of the respective assets, which are 5 to 20 years.

(k) Impairment

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(l) Pension and Other Postretirement Plans

The Company sponsors several defined contribution plans, defined benefit retirement plans and a postretirement health care plan.

The Company provides for the benefits payable to employees on retirement by charging current service costs to income systematically over the expected service lives of employees who participate in defined benefit plans. An actuarially computed amount is determined at the beginning of each year by using valuation methods that attribute the cost of the retirement benefits to periods of employee service. Such valuation methods incorporate assumptions concerning employees' projected compensation and health care cost trends. Past service costs are generally charged to income systematically over the remaining expected service lives of participating employees.

The cost recognized for defined contribution plans is based upon the contribution required for the period.

(m) Revenue Recognition

The Company recognizes revenue on product sales when the customer takes title and assumes risk of loss except for refractive laser system sales. If the customer takes title and assumes risk of loss upon shipment, revenue is recognized on the shipment date. If the customer takes title and assumes risk of loss upon delivery, revenue is recognized on the delivery date. Revenue is recognized as the net amount to be received after deducting estimated amounts for rebates and product returns. The Company recognizes revenue on refractive laser system equipment sales when the customer takes title and assumes risk of loss

and when installation and training have been completed. Per procedure license fees related to refractive laser systems are recognized when the procedure is performed. Estimated costs for warranty are recorded in cost of goods sold when the related equipment revenue is recognized.

In December 1999, the United States Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101 — "Revenue Recognition in Financial Statements," as amended, effective October 1, 2000. SAB No. 101 summarizes certain of the staff's views in applying accounting principles generally accepted in the United States of America to revenue recognition in financial statements. The Company recognizes revenue in accordance with SAB No. 101.

(n) Research and Development

Internal research and development are expensed as incurred. Third-party research and development costs are expensed as the contracted work is performed or as milestone results have been achieved.

(o) Selling, General and Administrative

Advertising costs are expensed as incurred. Advertising costs amounted to $83.7, $83.4 and $96.0 in 1999, 2000 and 2001, respectively.

Shipping and handling costs amounted to $28.1, $31.2 and $33.5 in 1999, 2000 and 2001, respectively.

(p) Income Taxes

The Company recognizes deferred income tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities and expected benefits of utilizing net operating loss and credit carryforwards. The impact on deferred income taxes of changes in tax rates and laws, if any, are applied to the years during which temporary differences are expected to be settled and reflected in the financial statements in the period of enactment. Withholding taxes have been provided on unremitted earnings of subsidiaries which are not reinvested indefinitely in such operations. Dividends to Alcon do not result in Swiss income taxes.

(q) Basic and Diluted Earnings Per Common Share

Basic and diluted earnings per common share are based on the weighted average number of common shares outstanding for the relevant period. There were no dilutive securities outstanding at December 31, 1999, 2000 and 2001.

(r) Comprehensive Income

Comprehensive income consists of net earnings, foreign currency translation adjustments and unrealized gains (losses) on investments and is presented in the consolidated statements of shareholders' equity and comprehensive income.

(s) Stock Based Compensation

The Company applies the intrinsic value based method to account for grants to Company employees by Nestlé's stock option plan. Under this method, compensation expense is measured as soon as the number of shares and the exercise price is known. Compensation cost is measured by the amount by which the current market price of the underlying stock exceeded the exercise price. The Company discloses the pro forma impact of the fair value based method of accounting for stock based employee compensation plans.

(3) Summit Acquisition

On July 7, 2000, the Company purchased substantially all of the outstanding stock and options of Summit Autonomous, Inc. ("Summit") for a total purchase price of $948.0 including acquisition costs. Summit manufactures, sells and services excimer laser systems and related products which correct vision disorders. The acquisition was financed with both short-term and long-term borrowings and was accounted for using the purchase method. Under the purchase method, the Company allocated the purchase price to the identified assets (including tangible and intangible assets), in process research and development ("IPR&D") and liabilities based on their respective fair values. The excess of the purchase price over the value of the identified assets, IPR&D and liabilities was recorded as goodwill and is being amortized on a straight-line basis over twenty years. The useful lives of the identified intangible assets and goodwill were determined based upon an evaluation of pertinent factors, including consideration of legal, regulatory and contractual provisions which could limit the maximum useful life, management judgement and reports of independent appraisers.

Acquired IPR&D of $18.5 related to the LADARWave™ Custom Cornea Wavefront System project was expensed immediately, resulting in a noncash charge to 2000 earnings, since the project had not reached technological feasibility and the assets to be used in such project had no alternative future use. The value of the IPR&D was determined by an independent appraiser.

Summit's operations since the acquisition date have been included in the Company's accompanying consolidated financial statements. The total purchase price was allocated as follows:

Current assets	$ 197.4
Property, plant and equipment	17.3
Other assets	1.0
Goodwill	539.1
IPR&D	18.5
Licensed technology	321.0
Other intangible assets	94.4
Total assets	1,188.7
Current liabilities	(86.4)
Long term debt	(2.0)
Long term deferred tax liabilities	(151.3)
Other long term liabilities	(1.0)
Acquisition cost	$ 948.0

The following unaudited pro forma summary presents information as if Summit had been acquired on January 1, 1999. The pro forma amounts include adjustments to recognize additional interest expense, amortization and related income taxes arising from the acquisition. IPR&D has been excluded from this pro forma information. The pro forma information does not necessarily reflect the actual results that would have occurred nor is it necessarily indicative of future results of the operations of the combined companies. Pro forma net earnings below include Summit's discontinued operations.

Year ended December 31,	1999	2000
Sales	$2,465.2	$2,585.8
Net earnings	259.6	244.9
Earnings per share	$ 0.46	$ 0.41

Summit, VISX, and certain of their affiliates (including Pillar Point Partners, a partnership between affiliates of Summit and VISX) were involved in a number of antitrust lawsuits which, among other things, alleged price-fixing in connection with per-procedure patent royalties charged by Summit and VISX. These suits were settled in July 2001 for $25.0. This settlement was accrued on the July 7, 2000 balance sheet of Summit and is included in the pro forma net earnings above.

Summit and certain of its present and former officers were defendants in two class action shareholder suits claiming, among other things, violations of the Securities Act of 1933 and the Securities Exchange Act of 1934. These suits were settled for $10.0 during the fourth quarter of 2000. This settlement was accrued on the July 7, 2000 balance sheet of Summit and is included in the pro forma net earnings above.

(4) Supplemental Balance Sheet Information

December 31, Cash and Cash Equivalents	2000	2001
Cash	$ 41.2	$ 45.8
Cash equivalents — Nestlé	844.5	1,094.0
Cash equivalents — Other	26.3	0.7
	$912.0	$1,140.5

Cash equivalents consist of interest bearing deposits and repurchase agreements with an initial term of less than three months. Certain cash equivalents are on deposit with Nestlé subsidiaries, bear interest of LIBOR plus a margin and have original maturities of less than three months.

December 31, Trade Receivables, Net	2000	2001
Trade receivables	$ 510.0	$ 516.0
Allowance for doubtful accounts	20.3	24.0
	$ 489.7	$ 492.0

Bad debt expense for the years ended December 31, 1999, 2000 and 2001 was $0.8, $3.1 and $11.9, respectively. The allowance for doubtful accounts at the beginning of 1999 and 2000 was $23.1 and, $17.0, respectively. Charge offs (recoveries), net, for the years ended December 31, 1999, 2000 and 2001 were $6.9, $(0.2) and $8.2, respectively.

December 31, Inventories	2000	2001
Finished products	$ 220.9	$ 219.8
Work in process	32.2	36.2
Raw materials	91.1	123.5
	$ 344.2	$ 379.5

December 31, Other Current Assets	2000	2001
Prepaid expenses	$ 31.9	$ 18.4
Receivables from affiliates	1.4	1.3
Other	67.4	28.8
	$ 100.7	$ 48.5

December 31, Property, Plant and Equipment, Net	2000	2001
Land and improvements	$ 19.0	$ 21.5
Buildings and improvements	396.2	439.5
Machinery, other equipment and software	596.9	665.2
Construction in progress	74.5	38.4
	1,086.6	1,164.6
Accumulated depreciation	473.2	520.8
	$ 613.4	$ 643.8

Construction in progress at December 31, 2001 consists primarily of various plant expansion projects. Commitments related to these projects at December 31, 2001 totaled $16.0.

December 31, Intangible Assets, Net	2000	2001
Goodwill	$ 660.9	$ 657.6
Licensed technology	526.1	502.0
Other intangible assets	176.9	187.7
	1,363.9	1,347.3
Accumulated amortization	225.1	339.1
	$1,138.8	$1,008.2

December 31, Other Current Liabilities	2000	2001
Deferred income tax liabilities	$ 11.9	$ 15.5
Payables to affiliates	1.9	47.1
Accrued payroll	140.0	159.0
Accrued taxes	203.4	214.0
Other	239.1	232.2
	$ 596.3	$ 667.8

December 31,	2000	2001
Other Long Term Liabilities		
Pension plans	$135.8	$146.8
Postretirement healthcare plan	23.3	32.1
Deferred compensation	54.1	65.7
Other	27.1	24.6
	$240.3	$269.2

(5) Short Term Borrowings

December 31,	2000	2001
Lines of credit	$ 219.4	$192.1
Affiliates	790.6	565.4
Bank overdrafts	28.1	48.0
	$1,038.1	$805.5

The Company has several unsecured line of credit agreements totaling $324.6 at December 31, 2001, with third parties that are denominated in various currencies. The commitment fees related to unused borrowings under these facilities were nominal during 1999, 2000 and 2001. The weighted average interest rate at December 31, 2000 and 2001 was 10.0% and 6.3%, respectively. Amounts outstanding under these agreements at December 31, 2001 are due at various dates during 2002.

The Company has various unsecured promissory notes and line of credit agreements denominated in various currencies with several subsidiaries of Nestlé. These short term borrowings at December 31, 2001 are either due on demand or at various dates during 2002. The weighted average interest rate at December 31, 2000 and 2001 was 6.8% and 2.9%, respectively. The unused portion under the line of credit agreements is $1,126.9 at December 31, 2001.

The Company has several unsecured bank overdraft lines of credit denominated in various currencies totalling $182.0 at December 31, 2001. The weighted average interest rate on bank overdrafts at December 31, 2000 and 2001 were 7.3% and 7.4%, respectively.

(6) Long Term Debt

December 31,	2000	2001
Long term debt — affiliates	$604.5	$600.0
License obligations	124.1	70.6
Bonds	—	39.6
Other	17.0	16.6
Total long term debt	745.6	726.8
Less: current maturities	45.8	29.4
Long term debt less current maturities	$699.8	$697.4

To finance the July 2000 acquisition of Summit, the Company entered into an unsecured promissory note, due March 2009, with a subsidiary of Nestlé for $600.0 at an interest rate of 7.89%.

License obligations represent the present value of noninterest bearing future fixed payments through 2007 which have been capitalized as intangibles. These obligations have been discounted at the Company's borrowing rate (6.25% to 8.50%) at the time each license was obtained.

During January 2001, the Company's Japanese subsidiary issued bonds with interest at LIBOR (0.1% at December 31, 2001) due 2011. Such bonds are guaranteed by Nestlé for a fee of approximately $0.10 per year.

Long term maturities for each of the next five years are $29.4 in 2002, $23.4 in 2003, $9.0 in 2004, $4.9 in 2005, and $4.7 in 2006.

Interest costs of $1.4, $2.3 and $2.2 in 1999, 2000 and 2001, respectively, were capitalized as part of property, plant and equipment.

(7) Income Taxes

The components of earnings before income taxes were:

	1999	2000	2001
Switzerland	$128.3	$172.4	$ 267.7
Outside of Switzerland	458.9	382.3	246.2
Earnings before income taxes	$587.2	$554.7	$ 513.9

Income tax expense (benefit) consists of the following:

	1999	2000	2001
Current:			
Switzerland	$ 29.4	$ 25.4	$ 33.4
Outside of Switzerland	228.8	193.4	167.3
Total current	258.2	218.8	200.7
Deferred:			
Switzerland	0.4	2.5	3.2
Outside of Switzerland	(18.3)	1.7	(5.6)
Total deferred	(17.9)	4.2	(2.4)
Total	$240.3	$223.0	$ 198.3

A comparison of income tax expense at the statutory tax rate of 7.8% in Switzerland to the consolidated effective tax rate is as follows:

	1999	2000	2001
Statutory income tax rate	7.8%	7.8%	7.8%
Effect of higher tax rates in other jurisdictions	25.6	14.1	13.0
Goodwill amortization and other nondeductible items	8.7	14.0	17.2
Other	(1.2)	4.3	0.6
Effective tax rate	40.9%	40.2%	38.6%

At December 31, 2001, Alcon's subsidiaries had net operating loss carryforwards as follows:

Year of Expiration	Amount
2002	$ 0.1
2003	1.3
2004	1.4
2005	4.0
2006	1.9
2007-2009	1.6
Indefinite	11.1
	$21.4

Deferred income taxes are recognized for tax consequences of "temporary differences" by applying enacted statutory tax rates, applicable to future years, to differences between the financial reporting and the tax basis of existing assets and liabilities.

Temporary differences and carryforwards at December 31, 2000 and 2001 are as follows:

	2000	2001
Deferred income tax assets:		
Trade receivables	$ 20.0	$ 16.7
Inventories	50.8	42.1
Other current assets	30.8	23.5
Other assets	6.8	—
Accounts payable and other current liabilities	36.7	49.8
Other liabilities	117.3	112.2
Net operating loss carryforwards	6.7	6.3
Gross deferred income tax assets	269.1	250.6
Valuation allowance	(6.7)	(4.6)
Total deferred income tax assets	262.4	246.0
Deferred income tax liabilities:		
Property, plant and equipment	23.4	30.8
Intangible assets	104.3	82.9
Other	7.7	5.6
Total deferred income tax liabilities	135.4	119.3
Net deferred income tax assets	$127.0	$126.7

Based on the Company's historical pre-tax earnings, management believes it is more likely than not that the Company will realize the benefit of the existing net deferred income tax assets at December 31, 2001. Management believes the existing net deductible temporary differences will reverse during periods in which the Company generates net taxable earnings; however, there can be no assurance that the Company will generate any earnings or any specific level of continuing earnings in future years. Certain tax planning or other strategies could be implemented, if necessary, to supplement earnings from operations to fully realize tax benefits.

Withholding taxes of approximately $32.0 have not been provided on approximately $627.0 of unremitted earnings of certain subsidiaries since such earnings are, or will be, reinvested in operations indefinitely. Dividends to Alcon do not result in Swiss income taxes.

(8) Business Segments

The Company conducts its global business through two business segments: Alcon United States and Alcon International. Alcon United States includes sales to unaffiliated customers located in the United States of America, excluding Puerto Rico. Alcon United States operating profit is derived from operating profits within the United States as well as operating profits earned outside of the United States related to the United States business. Alcon International includes sales to all other unaffiliated customers. Each business segment markets and sells products principally in three product categories of the ophthalmic market: (1) pharmaceutical (e.g., prescription ophthalmic drugs), (2) surgical equipment and devices, (e.g., cataract, retinal, and refractive) and (3) contact lens care (e.g., disinfecting and cleaning solutions) and other vision care products (e.g., artificial tears). Business segment operations generally do not include research and development, manufacturing and other corporate functions. Each business segment is managed by a single business segment manager who reports to the Chief Executive Officer who is the chief operating decision maker of the Company.

Segment performance is measured based on sales and operating income reported in accordance with International Accounting Standards ("IAS"). The principal differences between the IAS accounting policies used to generate segment results and the Company's overall accounting policies under U.S. GAAP include differences in intangible asset cost and lives and in process research and development (expensed for U.S. GAAP, but not for IAS). Certain manufacturing costs and manufacturing variances are not assigned to business segments because most manufacturing operations produce products for more than one business segment. Research and development costs, excluding regulatory costs which are included in the business segments, are treated as general corporate costs and are not assigned to business segments.

Identifiable assets are not assigned by business segment and are not considered in evaluating the performance of the business segments.

	Sales			Operating Income			Depreciation and Amortization		
	1999	2000	2001	1999	2000	2001	1999	2000	2001
IAS:									
United States	$1,263.2	$1,333.4	$1,464.6	$557.2	$519.6	$571.1	$ 30.7	$ 53.2	$ 66.5
International	1,137.8	1,220.2	1,283.1	328.0	380.1	402.6	42.5	48.6	55.4
Segments total	2,401.0	2,553.6	2,747.7	885.2	899.7	973.7	73.2	101.8	121.9
Manufacturing operations	—	—	—	(44.2)	(10.8)	(27.3)	25.9	26.4	25.0
Research and development	—	—	—	(197.9)	(220.8)	(269.8)	5.7	6.7	7.4
General corporate	—	—	—	(26.9)	(29.4)	(36.8)	—	—	—
U.S. GAAP adjustments:									
Amortization	—	—	—	(11.9)	(24.2)	(36.8)	11.9	24.2	36.8
IPR&D	—	—	—	—	(18.5)	—	—	—	—
Other	—	—	—	12.9	0.8	(14.1)	0.4	1.6	4.2
U.S. GAAP total	$2,401.0	$2,553.6	$2,747.7	$617.2	$596.8	$588.9	$117.1	$160.7	$195.3

(9) Geographic, Customer and Product Information

Sales for the Company's country of domicile and all individual countries accounting for more than 10% of total sales are noted below along with long lived assets in those countries. Sales by ophthalmic market segment are also included. Sales below are based on the location of the customer. No single customer accounts for more than 10% of total sales.

	Sales For the Year Ended December 31,			Property, Plant and Equipment At December 31,	
	1999	2000	2001	2000	2001
United States	$1,263.2	$1,333.4	$1,464.6	$430.6	$463.1
Japan	266.2	309.4	284.8	6.0	5.2
Switzerland	13.2	14.7	16.2	4.9	4.1
Rest of World	858.4	896.1	982.1	171.9	171.4
Total	$2,401.0	$2,553.6	$2,747.7	$613.4	$643.8
Pharmaceutical	$ 779.6	$ 836.2	$ 927.8		
Surgical	1,160.1	1,263.9	1,357.7		
Contact lens care and other vision care	461.3	453.5	462.2		
Total	$2,401.0	$2,553.6	$2,747.7		

(10) Deferred Compensation

The Company has an unfunded deferred compensation plan referred to as the 1994 Phantom Stock Plan for which key management members and certain other employees are eligible to be considered for participation. A committee appointed by the Board of Directors administers the plan. Plan payments were $13.5 and $16.1 for 2000 and 2001, respectively. The plan's liability was $63.1 and $74.5 at December 31, 2000 and 2001, respectively, which is included in other current liabilities and other long term liabilities in the accompanying consolidated balance sheets.

(11) Financial Instruments

At December 31, 2000 and 2001, the Company's financial instruments included cash, cash equivalents, investments, trade receivables, accounts payable, short term borrowings and long term debt. The estimated fair value of all of these financial instruments is as noted below. Due to the short term maturities of cash, cash equivalents, trade receivables, accounts payable and short term borrowings, the carrying amount approximates fair value. The fair value of long term debt is based on interest rates then currently available to the Company for issuance of debt with similar terms and remaining maturities. The fair value of investments was based on quoted market prices at year end.

December 31,	2000		2001	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
Cash and cash equivalents	$912.0	$912.0	$1,140.5	$1,140.5
Investments:				
Marketable equity	5.6	5.6	4.8	4.8
Fixed income	48.7	48.7	57.1	57.1
Trade receivables, net	489.7	489.7	492.0	492.0
Accounts payable	98.2	98.2	108.6	108.6
Short term borrowings	1,054.2	1,054.2	805.5	805.5
Long term debt	745.6	763.3	726.8	832.0

Investment amounts include net unrealized holding losses (gains) of $6.9 and $(0.7) at December 31, 2000 and 2001, respectively. During 2001, an impairment loss on a marketable equity investment of $9.1 was recorded in other nonoperating expenses ($5.7 net of tax).

(12) Related Party Transactions

The Company's material transactions with related parties have been with Nestlé and its subsidiaries. All material related party transactions that are not disclosed elsewhere in these notes are included below.

During 1999, 2000 and 2001 the Company had investments and borrowings with Nestlé and its subsidiaries which resulted in the following impact to earnings before income taxes:

	1999	2000	2001
Interest expense	$21.9	$49.9	$80.8
Interest income	$ 3.6	$28.2	$37.6

During June 1999, Nestlé contributed to the Company the debt that a subsidiary of the Company owed Nestlé. The book value of this debt, which was $234.8, was recorded as a capital contribution in 1999.

The Company had a minority interest in a finance company that was owned jointly with a Nestlé subsidiary. The investment was recorded using the equity method of accounting. During 2000, this investment was sold to a Nestlé subsidiary at book value for $76.4.

The Company leases certain facilities from Nestlé subsidiaries which resulted in rent expense of $0.6 in 1999, 2000 and 2001.

At December 31, 1999, 2000 and 2001, certain employees of the Company participated in a Nestlé stock option plan. The Company uses the intrinsic-value method to account for the employee's participation in this plan. The impact of these options under the intrinsic-value method or the fair-value method is negligible.

Under the Nestlé stock option plan, the employee is granted options to purchase Nestlé common stock with an exercise price equal to the market value on the date of grant. The options have lives of five and seven years and vest after two and three years, respectively. The plan provides the employees with the option of taking cash for the intrinsic value or paying the exercise price and taking the stock of Nestlé. Since the participants have the option to take net settlement in cash, the plan has been treated as a variable plan under the intrinsic-value method.

A summary of the options is as follows:

	1999		2000		2001	
	Shares (Actual)	Weighted Average Exercise Price (Actual CHF)	Shares (Actual)	Weighted Average Exercise Price (Actual CHF)	Shares (Actual)	Weighted Average Exercise Price (Actual CHF)
Outstanding at beginning of year	19,980	155.9	24,660	175.8	12,810	258.8
Granted	4,680	260.9	4,290	281.9	4,300	343.2
Exercised	—	—	16,140	138.3	—	—
Outstanding at end of year	24,660	175.8	12,810	258.8	17,110	280.0
Options exercisable at end of year	16,140	138.3	3,840	230.3	8,520	247.1
Weighted average fair value of options granted during the year (Actual U.S.$)	$45.55		$49.51		$55.83	

The fair value of options granted was calculated using the Black Scholes option pricing model with the following assumptions, with respect to Nestlé: dividend yield of 1.6% in 1999 and 2000 and 1.2% in 2001; volatility of 22% in 1999 and 2000 and 24% in 2001; risk free interest rate of 4.6%, 6.5% and 4.9% in 1999, 2000 and 2001, respectively; and an expected term of five years.

(13) Pension and Postretirement Benefits

The Company's pension and postretirement benefit plans, which in aggregate cover substantially all employees in the United States and employees in certain other countries, consist of defined benefit pension plans, defined contribution plans and a postretirement health care plan. The Company's cost of defined contribution plans was $34.4, $40.3 and $45.4 in 1999, 2000 and 2001, respectively. The information provided below pertains to the Company's defined benefit pension plans and postretirement health care plan. The following table reconciles the changes in benefit obligations, fair value of plan assets, and funded status for the two-year period ending December 31, 2001:

	Pension benefits 2000	Pension benefits 2001	Postretirement benefits 2000	Postretirement benefits 2001
Change in benefit obligation				
Benefit obligation at beginning of year	$ 125.3	$ 154.4	$109.8	$120.3
Service cost	10.6	12.0	6.7	7.6
Interest cost	7.9	9.7	8.1	9.3
Amendments	0.9	—	—	—
Benefit paid	(4.5)	(5.7)	(2.2)	(3.4)
Actuarial (gain)/loss	14.2	13.8	(2.1)	(9.9)
Benefit obligation at end of year	154.4	184.2	120.3	123.9
Change in plan assets				
Fair value of plan assets at beginning of year	7.6	8.1	100.3	97.8
Actual return on plan assets	(1.2)	(1.2)	(0.3)	(7.2)
Employer contribution	6.2	11.6	—	—
Benefits paid	(4.5)	(5.7)	(2.2)	(3.4)
Fair value of plan assets at end of year	8.1	12.8	97.8	87.2
Reconciliation of Funded Status to Balance Sheet Liability				
Funded status	(146.3)	(171.4)	(22.5)	(36.7)
Unrecognized prior service cost	0.8	—	4.9	4.3
Unrecognized actuarial (gain)/loss	9.7	24.6	(5.7)	0.3
Net amount recognized in other long term liabilities	$(135.8)	$(146.8)	$(23.3)	$(32.1)
Weighted-average assumptions as of December 31,				
Discount rate	3.0-7.5%	3.0-7.3%	7.8%	7.5%
Expected return on plan assets	3.0%	3.0%	9.0%	9.0%
Rate of compensation increase	5.0%	6.25%	N/A	N/A

	Pension benefits 1999	Pension benefits 2000	Pension benefits 2001	Postretirement benefits 1999	Postretirement benefits 2000	Postretirement benefits 2001
Components of net periodic benefit cost						
Service cost	$10.2	$10.6	$12.0	$ 5.8	$ 6.7	$7.6
Interest cost	7.1	7.9	9.7	7.3	8.1	9.3
Expected return on assets	(0.2)	(0.2)	(0.2)	(0.8)	(6.5)	(8.6)
Prior service cost amortization	0.6	0.7	—	0.4	2.7	0.5
Recognized actuarial loss	0.6	4.0	0.2	—	—	—
Net periodic benefit cost	$18.3	$23.0	$21.7	$12.7	$11.0	$8.8

The health care cost trend rate used to measure the expected cost of benefits covered by the postretirement plan is 9.0% in 2001, declining to 4.5% in 2006 and after. The effect of a one percentage point change in assumed medical cost trend rates is as follows:

	1% Increase	1% Decrease
Effect on total of service and interest cost components	$ 3.4	$ (2.7)
Effect on the postretirement benefit obligation	21.2	(17.1)

In certain countries, the Company's employees participate in defined benefit plans of Nestlé. No separate valuation for the Company's employees has historically been prepared for the plans as they are not material to the Company or to Nestlé. Accordingly these plans are treated as multi-employer plans. Annual contributions to these plans are determined by Nestlé and charged to the Company. Company contributions to these plans during 1999, 2000 and 2001 were $1.6, $1.6 and $2.6, respectively.

(14) Commitments and Contingencies

The Company and its subsidiaries are parties to a variety of legal proceedings arising out of the ordinary course of business, including product liability and patent infringement. The Company believes that it has valid defenses and is vigorously defending the litigation pending against it.

The Company is a defendant in three separate cases which were initiated during the first half of 2001 whereby the plaintiff alleges that one of the Company's products infringes on their patents and trademark. The Company has denied infringement and asserted that the plaintiff's patent is invalid and unenforceable.

The Company's tax returns are subject to examination by various taxing authorities. Management records current tax liabilities based on their best estimate of what they will ultimately settle with the taxing authorities upon examination.

While the results of the aforementioned contingencies cannot be predicted with certainty, management believes that the final outcome of these contingencies are adequately covered by insurance and/or the ultimate liability, if any, will not have a material adverse effect on the Company's consolidated financial position. Although management believes that the tax treatments reflected in the accompanying financial statements comply with the various tax laws and regulations, some of the tax treatments may change if challenged by the taxing authorities. Litigation contingencies are subject to change based on settlements and court decisions.

The Company leases certain facilities and equipment under operating leases. Lease expense incurred was $21.5, $21.9 and $23.8 during 1999, 2000 and 2001, respectively. Future minimum aggregate lease payments under non-cancelable operating leases with a term of more than one year are as follows:

Year	Amount
2002	$ 22.0
2003	15.3
2004	12.7
2005	10.9
2006	7.5
Thereafter	34.5
Total minimum lease payments	$102.9

(15) Exit Activities

In 1998, the Company announced the closure of its manufacturing facility in Puerto Rico. As a result of this decision, the Company accrued in 1998 certain severance costs for approximately 300 affected employees based on the statutory requirements for severance. The facility was sold in December 2000. Virtually all of the severance costs were paid in 2000.

In 1999, the Company announced the closure of a manufacturing facility in St. Louis, which resulted in the accrual of severance costs for approximately 60 employees in 1999. These costs were paid in 2000. The severance expense is included in cost of goods sold in the consolidated statement of earnings.

Prior to the purchase of Summit in July 2000, the Company began assessing and formulating a plan to exit the leased facility which represented Summit's corporate headquarters. These actions resulted in the accrual of severance for approximately 180 employees and other costs, as well as lease payments on the vacated facility as of the acquisition date which was recorded as part of the purchase price of Summit. During the first half of 2001, the closure of this facility was completed and severance payments were made. The remaining lease costs will be paid out over the remaining lease term through 2005.

	Employee Termination Benefits	Other Exit Costs	Total
Balance, December 31, 1998	$ 6.1	$ —	$ 6.1
Accrued	1.3	—	1.3
Spending	—	—	—
Balance, December 31, 1999	7.4	—	7.4
Accrued	—	—	—
Summit acquisition	10.5	2.8	13.3
Spending	(11.2)	—	(11.2)
Balance, December 31, 2000	6.7	2.8	9.5
Accrued	—	—	—
Spending	(6.7)	(0.2)	(6.9)
Balance, December 31, 2001	$ —	$ 2.6	$ 2.6

The exit cost accrual is included in other current liabilities in the accompanying consolidated balance sheets.

(16) Unaudited Quarterly Information

	2001			
Three Months Ended	March 31	June 30	September 30	December 31
(in millions)				
Sales	$655	$746	$676	$671
Cost of goods sold	185	219	195	199
Selling, general and administrative	223	250	242	239
Research and development	65	72	72	81
Amortization of intangibles	30	29	29	29
Operating income	152	176	138	123
Gain (loss) from foreign currency, net	(1)	9	(9)	(4)
Interest income	16	13	13	5
Interest expense	(29)	(30)	(26)	(23)
Other, net	—	—	—	(9)
Earnings before income taxes	138	168	116	92
Income taxes	53	65	45	35
Net earnings	$ 85	$103	$ 71	$ 57

Our quarterly sales trends reflect the seasonality in several products, including ocular allergy and otic products, in the form of increased sales during the spring months.

Corporate Information

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Website
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Common Stock
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Alcon 2002 Annual Report

Alcon, Inc.

With Compliments
Timothy R.G. Sear
Chairman, President & CEO

The smile on your granddaughter's face.

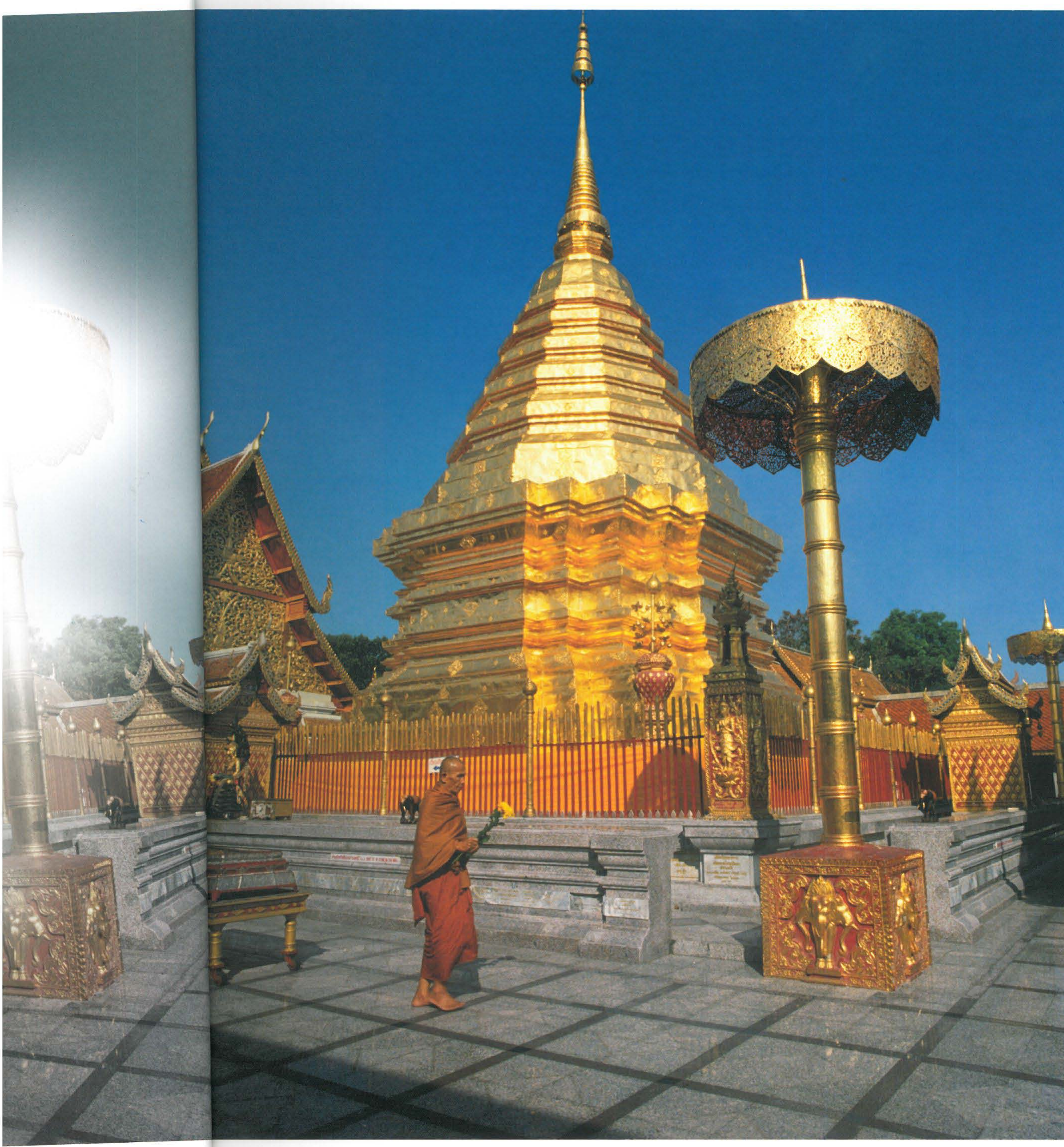
Over 2

Over 2 million people a year lose central vision due to age-related macular degeneration.

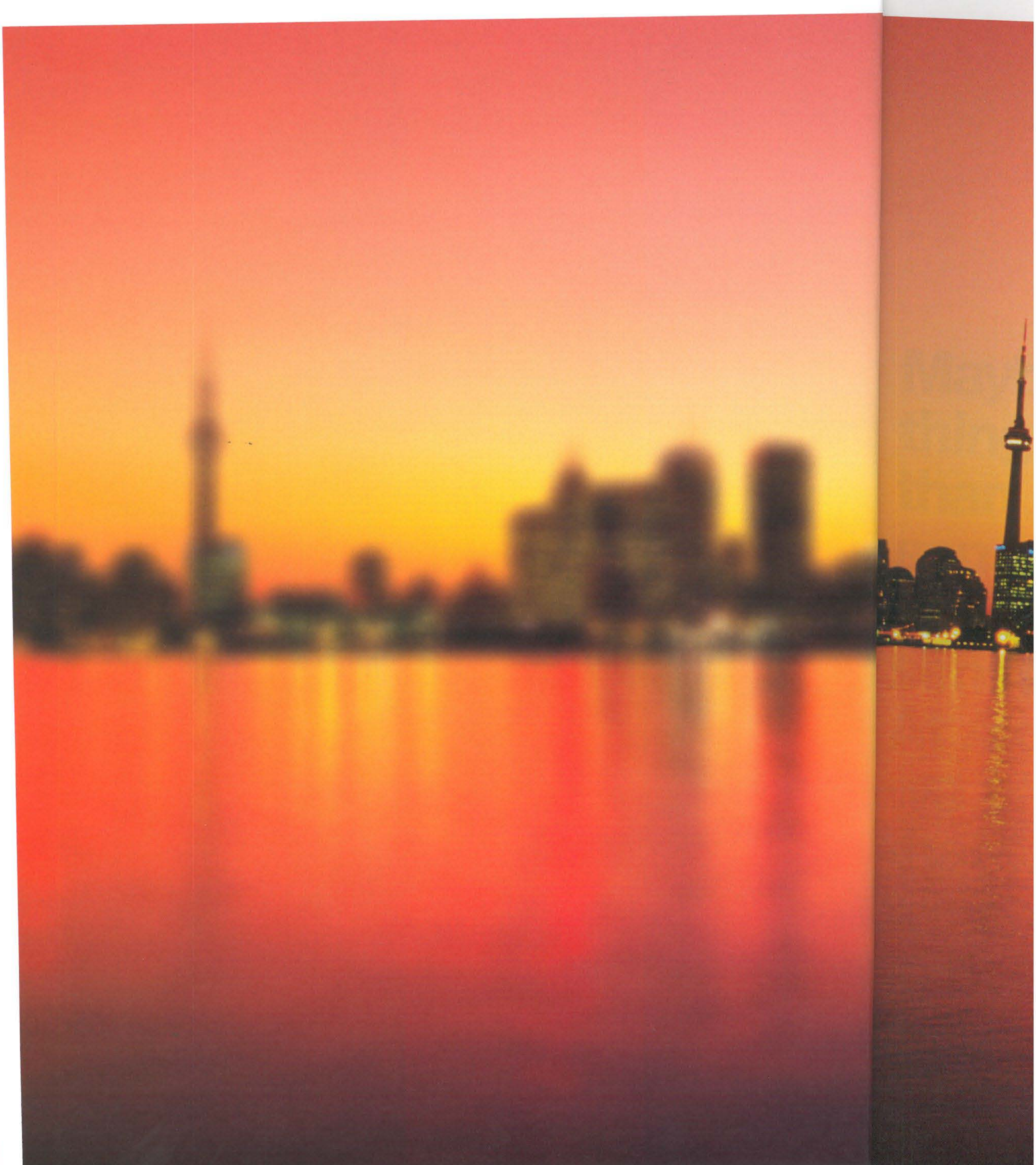
A drive to the city.

Half of all people with glaucoma remain undiagnosed or untreated.

A vacation in Thailand.



Surgeons perform 10 million cataract surgeries globally each year.



The skyline at sunset.

More than 300 million adults in the developed world are near- or far-sighted.

than losing one's
sense of sight
is losing one's
sense of independence.
At Alcon
we understand
that fear, and
we are committed
to helping doctors
preserve, restore
and enhance vision

Maybe the only thing more frightening than losing one's sense of sight is losing one's sense of independence. At Alcon we understand that fear, and we are committed to helping doctors preserve, restore and enhance vision throughout the world.

Dear Shareholders

The images you see in the opening pages of this year's annual report dramatically illustrate the impact of the loss of clear vision on a person's quality of life. For more than half a century, Alcon has been dedicated to developing and commercializing specialized pharmaceutical, surgical and consumer products that prevent the loss of vision or restore visual function to the eye.

Glaucoma patients around the world use our pharmaceutical therapies to control elevated intraocular pressure and delay deterioration of their visual capabilities. Surgeons implant more than three and a half million of our intraocular lenses each year to restore clear vision to people whose eyesight is impaired by cataracts, and they prescribe our powerful topical antibiotics to prevent infections from occurring after surgery.

Millions of contact lens wearers depend on our vision care products to moisten their eyes and to keep their lenses free of bacteria and other contaminants that can lead to eye infections and discomfort. Thanks to our advanced refractive surgery system that customizes treatment to each patient, more and more people each year who are near-sighted, far-sighted or suffer from astigmatism will see clearly without glasses or contact lenses.

Though there is no cure today for age-related macular degeneration (AMD), our research into treatments for this disease has been promising. We are optimistic it will yield important contributions to managing this debilitating disease, the leading cause of blindness among people over the age of 50 in the developed world.

Preservation, restoration and enhancement of eyesight and care for the health of people's eyes: this is our focus, this is our commitment, this is our passion. Our success in this effort depends on inspired research, quality people and products, dedicated technical and customer service, knowledge development, global reach and compassion for those who suffer from eye disease or visual dysfunction. We undertake these efforts in partnership with a community of eye care professionals around the world who help people see clearly and live their lives to the fullest. These attributes have defined Alcon for more than half a century. They have made our company the largest and, we believe, the most innovative eye care company in the world. They also have led to a history of financial stability and success, exemplified by another year of solid growth in revenues and profits in 2002.

Alcon reported healthy sales growth and strong financial results for 2002

Highlighting Alcon's performance in 2002 was a 9.5% increase in global sales to $3.01 billion, paced by exceptionally strong growth of our pharmaceutical products. All five featured products in this sector experienced double-digit growth, and Alcon's total pharmaceutical sales grew 17.4% over the previous year.

Strong performance in ophthalmic pharmaceuticals was complemented by solid growth of our surgical products, with sales rising 6.0% in 2002, despite a decline in the refractive surgery segment that held back overall surgical growth. Consumer eye care sales performed well in a flat market, growing 4.1% for the year.

We capitalized on our established global infrastructure to translate this strong and balanced sales growth into even faster growth in operating incom which increased 19.5% to $703.7 million. Reduced interest costs, derived fro declining interest rates an the repayment of almost $500 million in debt since our IPO, along with a lowe effective tax rate, allowed Alcon to achieve net income of $466.9 million, 47.9% increase over 200

Research and development of new products is at the heart of our success

As important as our fina cial performance was in 2002, our progress in ad vancing our research an development pipeline wa even more encouraging and it bodes well for Alc future. New products ar the lifeblood of our business. We invested $323 million in research and development programs 2002, and we expect to invest a total of $2 billio a broad range of resea and development prog over the next five years We believe this will be t largest eye-related res

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We capitalized on our established global infrastructure to translate this strong and balanced sales growth into even faster growth in operating income which increased 19.5% to $703.7 million. Reduced interest costs, derived from declining interest rates and the repayment of almost $500 million in debt since our IPO, along with a lower effective tax rate, allowed Alcon to achieve net income of $466.9 million, a 47.9% increase over 2001.

Research and development of new products is at the heart of our success

As important as our financial performance was in 2002, our progress in advancing our research and development pipeline was even more encouraging—and it bodes well for Alcon's future. New products are the lifeblood of our business. We invested $323 million in research and development programs in 2002, and we expect to invest a total of $2 billion in a broad range of research and development programs over the next five years. We believe this will be the largest eye-related research and development investment by any company in the world, feeding our existing pipeline of products and leading to new therapies and products to treat eye disease and prevent blindness—products we can only dream of today.

Of course, what really matters to us, to our shareholders and to the ophthalmic community is transforming research and development projects into market-ready products. In this regard, we had a very productive year in 2002, receiving 343 regulatory approvals and filing 340 new product submissions in more than 75 countries around the world. These filings and approvals included key future revenue drivers such as *AcrySof® Natural* intraocular lens, *CustomCornea™* wavefront system, once-a-day *Patanol®* ophthalmic solution, *Vigamox™* ophthalmic solution and *CiproDex* otic solution (*CIPRO* is a trademark of and licensed from Bayer AG) in the United States, *Opatanol®* ophthalmic solution in Europe and *Azopt®* ophthalmic suspension and *Betoptic S®* ophthalmic suspension in Japan.

We also made significant progress on several important development projects, as we moved into Phase III clinical studies with Anecortave Acetate for AMD, 15(S)-HETE for dry eye and *Patanase®* nasal spray for allergies. We have been achieving powerful clinical results with our *AcrySof® ReStor™* intraocular lens. Early results of clinical trials show the unique design of this innovative lens has the potential to deliver excellent vision, both far and near, virtually eliminating the need for reading glasses after cataract surgery. If these early results are confirmed by additional study, this lens could also prove important in the correction of refractive errors and presbyopia—the inevitable age-driven inability to focus on nearby objects—by far the most prevalent vision deficiencies in the world.

Finally, in April of 2003 we commenced the global launch of the *Infiniti™* vision system at the annual meeting of the American Society of Cataract and Refractive Surgery. This new system brings revolutionary technology to lens removal for the first time in many years. With its tri-modal design, incorporating advanced phacoemulsification, *NeoSonix®* oscillation and our innovative *AquaLase™* liquefaction device, it represents a new platform to further enhance our cataract equipment market position. *AquaLase™* uses pulses of warm fluid to remove the eye's natural lens material with enhanced safety.

Of great importance to our future, more than 2,500 registered patents and 1,600 pending patents support our broad offering of current products and our rich pipeline of potential new ones. We look forward to the commercial success of many of these pipeline products in 2003 and for many years to come.

By maintaining our focus we increased our industry leadership

As we have been for more than 50 years, Alcon remains focused almost entirely on one healthcare need: the treatment of eye disease and dysfunction. Unlike other companies that offer a limited product line or serve only one segment of the eye care industry, our strategy is to provide doctors who treat eye diseases and conditions with a broad suite of high-quality products to meet their every need.

This commitment became even more important in 2002, as favorable changes in the competitive environment gave Alcon unparalleled access to customers, and further enhanced our ability to capitalize on the individual strengths of each Alcon product segment to advance the entire breadth of our product line. These changes also allowed us to widen our lead in terms of direct geographic reach, positioning Alcon better than our competitors for the inevitable return to economic growth in developing countries. We firmly believe that emerging markets will be important sources of future growth. Finally, these industry changes have helped to strengthen our leadership position in the eye care market and allowed us to expand the depth and breadth of our customer relationships around the world.

Sales force expansion drove market share gains in several segments

One of the hallmarks of Alcon's success is that we never take our leadership position for granted, and we

worked hard to strengthen that position in 2002. The tremendous efforts and energies of our more than 2,300 person global sales force led to market share gains in most of our major product lines and in many geographic areas. In the United States, we gained share in glaucoma, allergy, ocular anti-infectives and combinations, otic anti-infectives and soft contact lens care disinfectants.

Outside the U.S., we executed a highly successful rollout of *Travatan*® ophthalmic solution in Europe, which, combined with the continuing growth of *Azopt*®, expanded our glaucoma market share in most major markets around the world. On a global basis, we cemented our leadership in ophthalmic surgery as we added another year of market share gains in intraocular lenses, viscoelastics, cataract and vitreoretinal equipment and the surgical cassettes used to perform eye surgery.

We gained valuable operating synergies with our broad product line

With our intense focus on the eye, we are committed to being all things to all eye care professionals throughout the world. As we re-entered the public arena in 2002, our product portfolio boasted entries in every significant segment of the eye care market except eyeglasses and contact lenses.

No other company matches our breadth of product offerings. With these products spanning the three major medical segments of eye care, we believe we are able to achieve marketing synergies where others may not. As an example, in 2002 almost 10% of our pharmaceutical sales in the United States came from prescriptions written by optometrists, a group of eye care professionals that has gained the right to prescribe most ophthalmic medications in each of the 50 states. We also incorporate samples of our anti-infective, anti-inflammatory or combination products into surgical post-operative kits, increasing the frequency of a prescription being filled for one or more of them.

Eye care professionals can depend on Alcon to provide high quality products and services, no matter their specialty or where they practice. We are the only company that comes close to offering a one-stop shop for ophthalmic products to eye care professionals.

We are a global company committed to serving customers in all regions of the world

In addition to our product line breadth, we approach the eye care market with a broadly global perspective, a strategy that offers two powerful benefits. First, it helps to protect us from the economic vagaries of any one country or region. Second, and even more important, we have learned that we maximize our growth opportunities by dealing directly with our customers wherever they are as soon as the practice of ophthalmology takes root. Alcon now has direct sales and marketing operations in all key markets, and our products are sold in more than 180 countries.

We generally develop our leadership in new markets by establishing surgical training laboratories to furnish hands-on training in surgical techniques to doctors in countries where such training may otherwise be unavailable. We then aim to profitably introduce the rest of our product line int these markets and reap growth from them for year to come. Furthermore, by being first into a country with a direct sales force, we are well-positioned to quickly gain a significant foothold in that country's ophthalmic market. Once we enter a country, we remain committed to it, because the specialists who practice there depe on Alcon for the products that prevent blindness and restore vision in thei patients. It is our experie that we enhance our customer relationships and expand our global leadership by being the first ophthalmic company in a country, and by staying there through good and bad economic times.

As evidence of the su cess of this strategy, in 2002 we celebrated the 30th anniversary of our a iate's presence in Japan the course of the last th decades, our Japanese a iate has grown from a s operation of 10 people t our second largest local operating company, sta with more than 400 em ees serving eye care pr sionals in this importan market. This very capab team has led Alcon to th top of the Japanese ma

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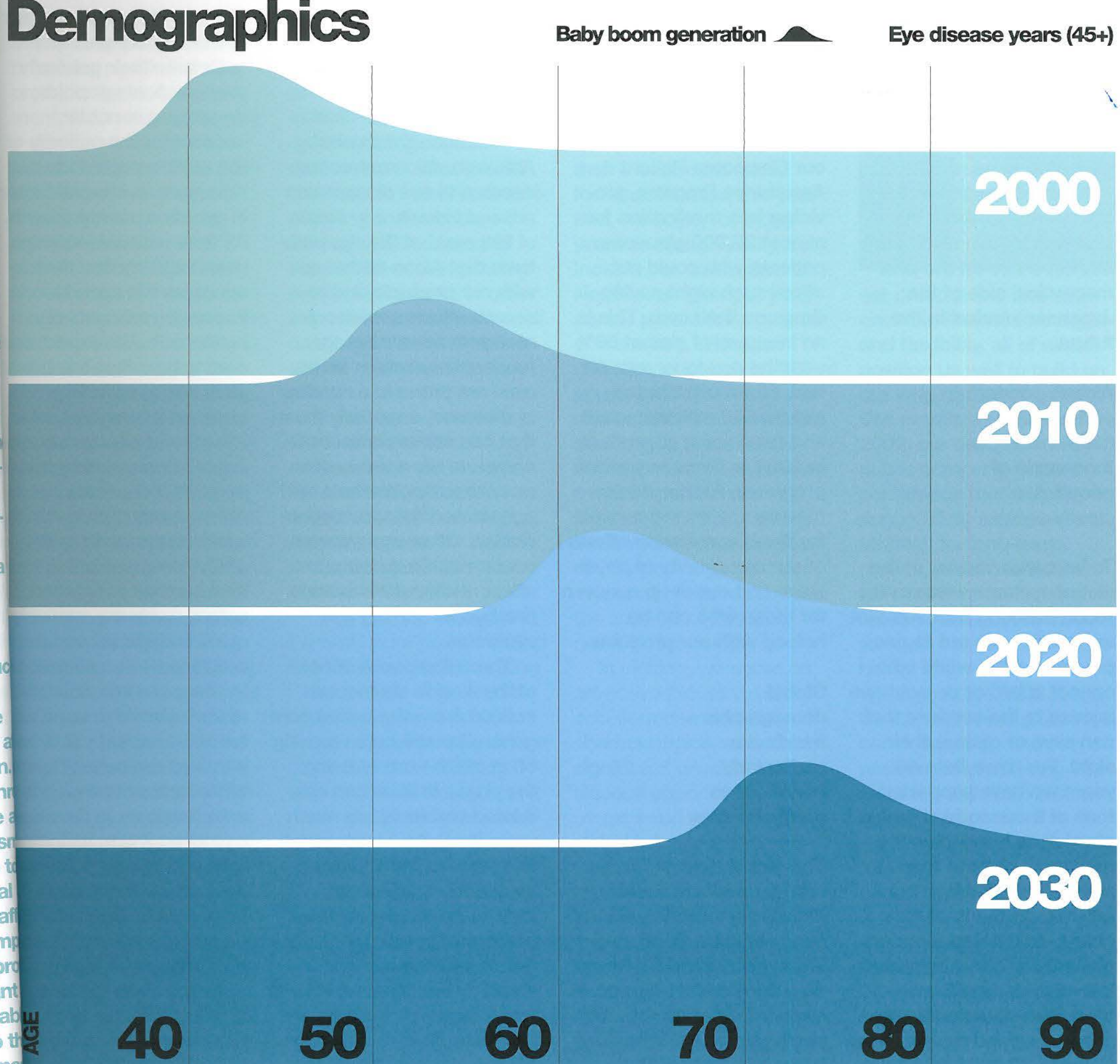
Demographics



in ophthalmic surgery and in soft contact lens care disinfection. With the launches of *Azopt*® and *Betoptic S*® in 2002, and with several pharmaceutical products expected to be registered in the next few years, we are optimistic about our chances to gain significant market share on the pharmaceutical side of the Japanese market in the future.

Alcon's support of medical missions helped thousands of people see clearly again

To be a true partner in the global eye care community, Alcon has long believed that we must reach out to people around the world who cannot afford or do not have access to the services that can save or restore their sight. For more than 40 years we have supported tens of thousands of caring physicians in bringing the miracle of sight to those in need. In 2002, Alcon contributed products at no charge to 840 independent, philanthropic eye care medical missions in 82 countries. We estimate that this support helped restore clear vision to 19,000 individuals in developing countries, allowing them to regain their independence and enjoy richer and fuller lives. In the United States, we dramatically increased our Glaucoma Patient Assistance Program, providing free medication for almost 27,000 glaucoma patients who could not afford such sight-saving drugs on their own. This is an increase of almost 50% over the previous year. All told, Alcon contributed almost $20 million in cash and retail value of products in 2002 to these important programs, further demonstrating our strong support for the humanitarian efforts of our community of physicians and our deep concern for those who can be helped with our products.

Global demographic trends are particularly beneficial to ophthalmology

The global market for eye care products is already large, approximately $11 billion in sales in 2002, and Alcon accounted for more than 25% of that figure. More importantly, the market is growing at a healthy pace, one that will likely continue in the years to come as demographic factors evolve and new therapies that address currently unmet eye care medical needs reach the market. Although vision correction needs and eye disease can arise at virtually any stage of life, most of the eye problems that Alcon addresses with our products and research efforts are associated with advancing age. As people get older, their eyes are prone to a number of diseases, especially those that can cause partial or complete blindness such as cataracts, glaucoma and age-related macular degeneration. Other age-related ocular maladies that can affect quality of life include presbyopia and dry eye syndrome.

The aging populations of the world's developed economies—the baby-boom generation will begin turning 60 in 2007—are entering the phase in life when eye-related problems are much more likely. As people reach this stage of life and live longer, there will be an inevitable increase in the number of people who experience eye disease and visual dysfunction, which will fuel the market for eye care products. Many in this generation already suffer from

dry eye, while a large maj
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Despite their generally
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Despite their generally younger demographics, developing countries account for the majority o the world's population and represent an integral facto in eye care market growth As their national incomes rise, it is likely that these countries will spend increasing amounts on health care. We expect e care to be a first-line ben ciary of this spending because it is highly cost effective to treat many e related diseases to main people's independence, return them to productiv and enhance their quality of life. Nowhere is this m obvious than in cataract surgery, where a relative quick surgical procedure combined with an intrao lar lens, can immediately restore clear vision, no m ter how long cataracts h impaired the patient's vi While cataract surgery i commonplace in develo countries, it is in its infa in many parts of the les developed world. There huge pool of people in countries who could be from cataract surgery.

As the clear leader i industry, with the broad product line, unmatche global scope, the large

sales force of any ophthalmic company and a promising pipeline of new products under development, Alcon expects to gain a significant share of the growth in the eye care market. We believe groundbreaking new products, aging populations and global economic growth should expand the eye care market significantly over the next five years. Factoring in potential markets for the otic and nasal applications of some of our ophthalmic drugs, we estimate that our product lineup could compete in markets totaling as much as $20 billion in 2007.

We anticipate that much of this market growth will come in the pharmaceutical segment of our business, especially in the United States. Recognizing this, in the fourth quarter of 2002 we again expanded our U.S. pharmaceutical sales force. This highly capable team will continue to broaden our penetration of the key markets that prescribe our products. They are well-prepared to support the three major pharmaceutical launches we have planned for 2003: *igamox*™ for eye infections, once-a-day *Patanol*® for eye allergies and *iproDex* otic for ear infections. They will also be integral to the launch of *Systane*™ dry eye therapy, as this product will be promoted extensively with ophthalmologists and optometrists alike. We will continue to invest appropriately in our sales force throughout the world to support all of our growing product segments in order to position ourselves to call on all eye care professionals, no matter where they practice.

Our performance derives from the dedication and talents of our employees and support of our customers

I would be remiss if I ended this letter without thanking those people so critical to Alcon's success in 2002. They include the physicians and other professionals who make up the eye care community, and who work so hard to advance the standard of healthcare for the eye in virtually every region around the world. They include our talented and dedicated employees, now totaling almost 12,000 people across the globe, who wake up every day with the desire to serve these customers better and to fulfill our mission as a company. They include our new shareholders, who invested their funds in our company in the belief that their investment would increase in value this year and, we hope, for many years to come. Finally, they include our colleagues at Nestlé, our exemplary corporate parent for a quarter of a century. With their decision to launch an IPO of approximately 25% of our shares, they demonstrated confidence in our entire management team to chart a more open course and to shepherd their remaining investment as we pursue our corporate goals. I am personally honored to have the support of this truly great global company.

In closing, we serve an attractive industry with excellent demographic characteristics and several significant unaddressed disease opportunities to be explored. We have the global infrastructure and resources to penetrate and grow new markets and to continue investing heavily in research and development to develop and deploy new products for existing and unmet needs. We compete in this industry as the clear leader, with the broad-

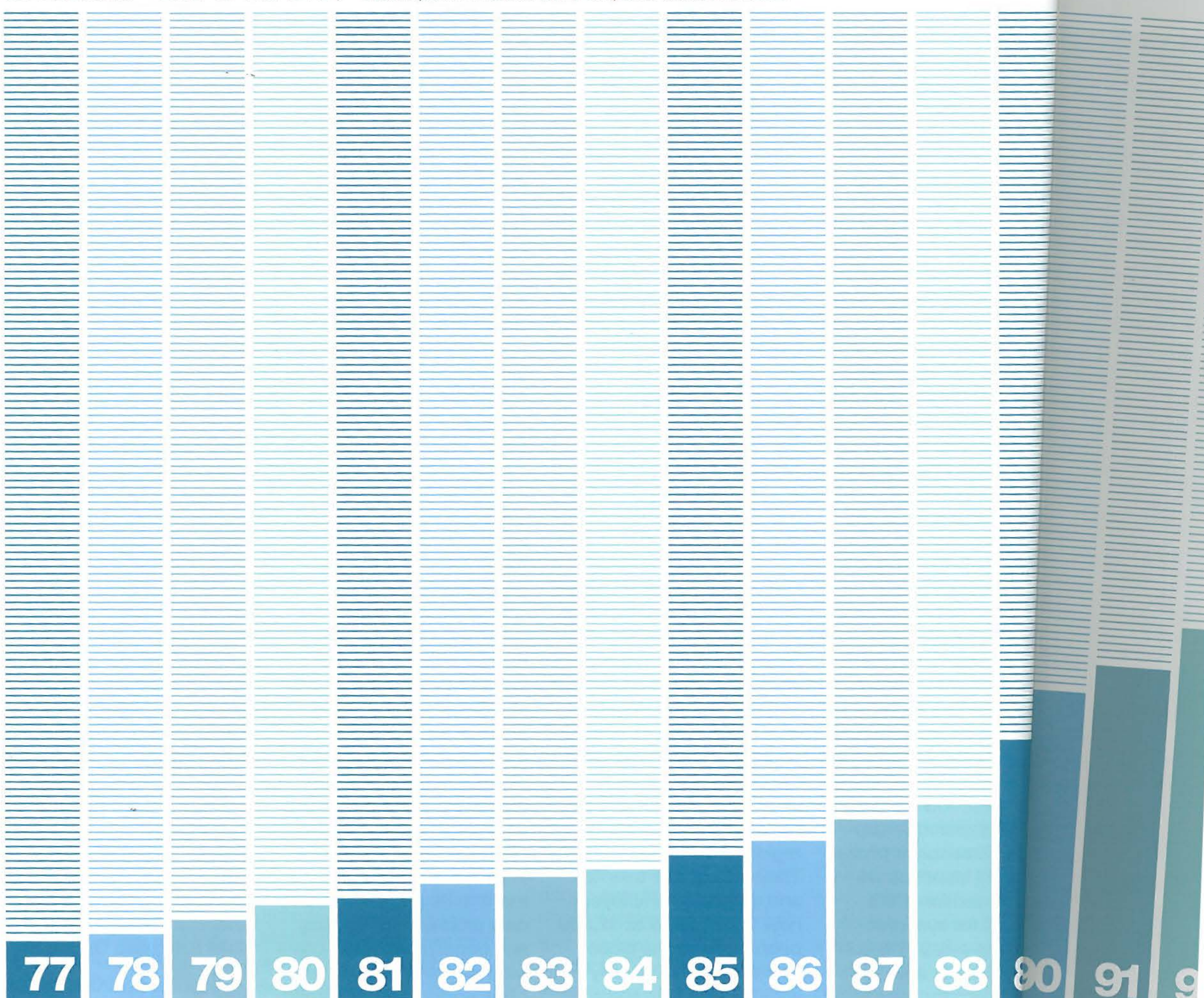
est product line and with enviable financial strength and flexibility, all of which position us well to build on our long history of growth. Our excellent results in 2002, our first year as a public company, give us confidence that we can successfully execute our strategy for long-term growth, which we believe will create value for all our shareholders as we move forward. I want every shareholder to know that all our employees are hard at work transforming our global eye care leadership and our passion for preserving and restoring sight into shareholder value.

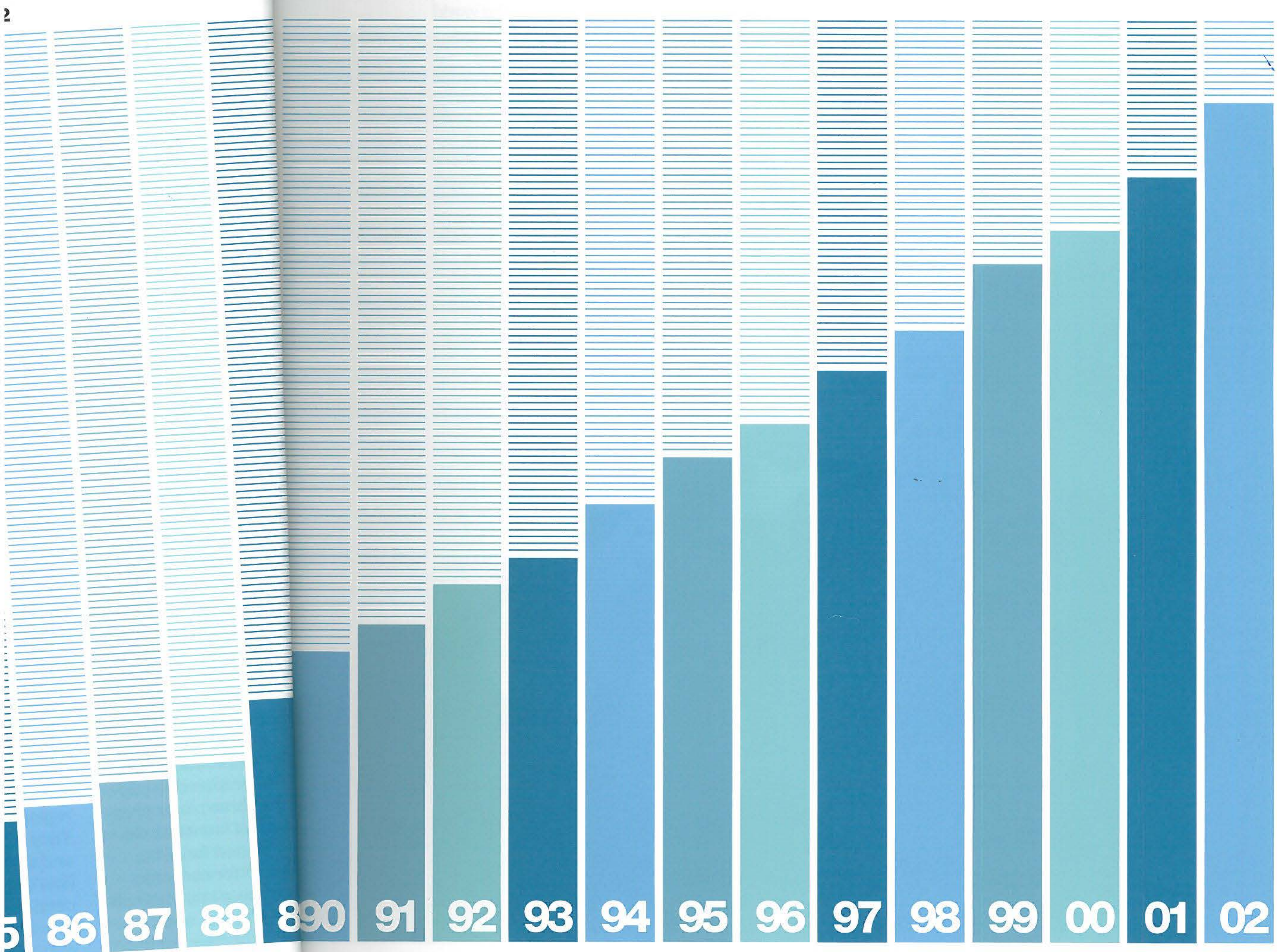
Tim Sear

Tim Sear
Chairman, President, and Chief Executive Officer
Alcon, Inc.
April 18, 2003

Sales Growth

From $80 million in 1977 to $3.01 billion in 2002

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Strategic Locations / Meeting eye care needs throughout the world

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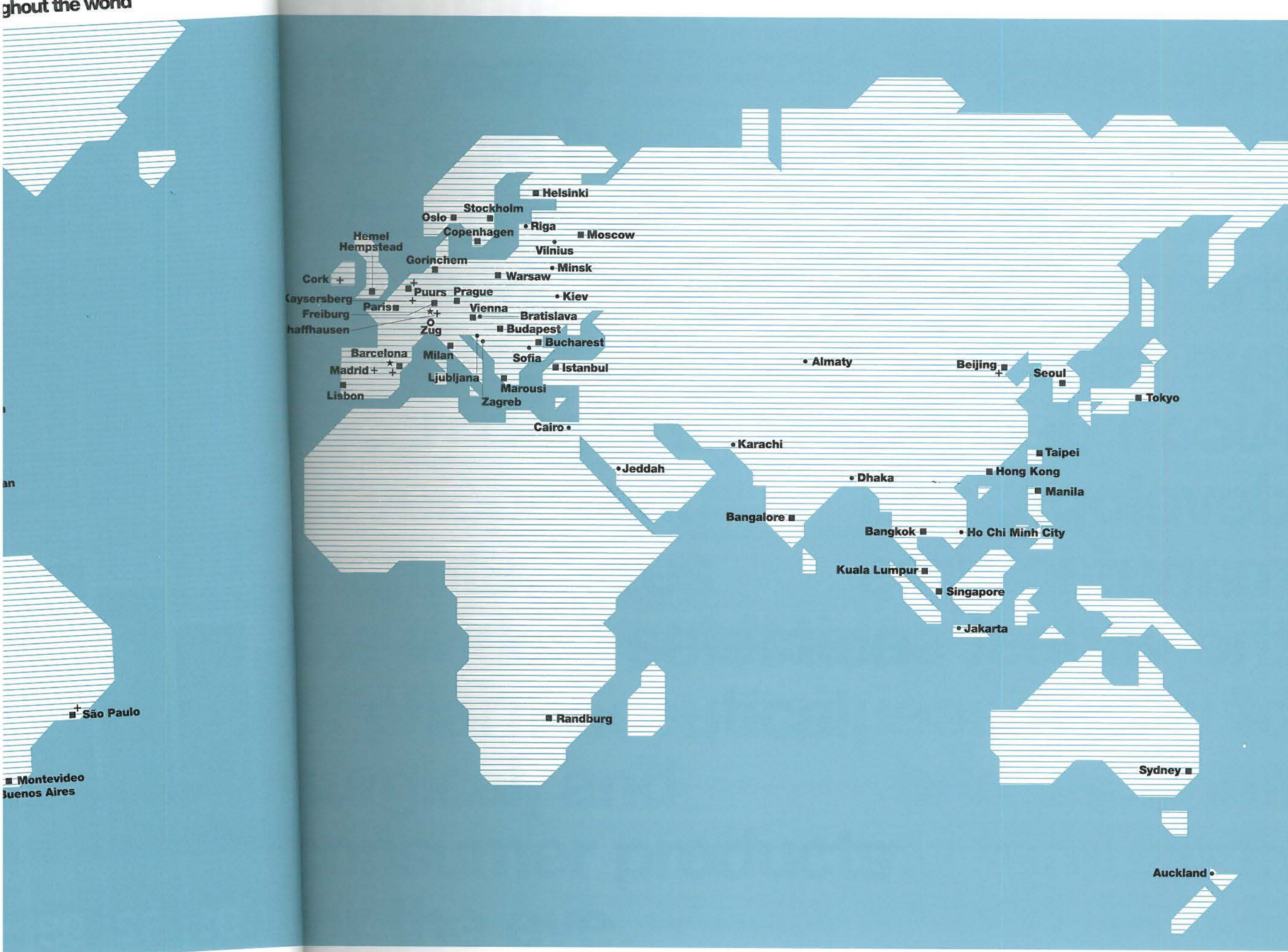

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Alcon designs,
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for the eye.

Pharmaceutical Products

Our deepest roots at Alcon are in the discovery and development of pharmaceuticals that address diseases of the eye. Since Alcon's founding 57 years ago, we have become the largest specialty ophthalmic pharmaceuticals company in the world. Our leadership position reflects deep market penetration and the most comprehensive set of ophthalmic pharmaceutical products in the eye care industry. In 2002, Alcon's pharmaceutical revenues grew 17.4% to $1.09 billion, representing an approximate 19% share of the global market for ophthalmic pharmaceuticals. Pharmaceutical products have been our fastest growing segment in recent years, climbing from about 30% of total sales in 1997 to over 36% in 2002, a trend we expect to continue.

Our pharmaceutical success derives primarily from the productivity of our research and development efforts. New products introduced in the last five years were the major drivers of our pharmaceutical sales growth in 2002, including *Patanol*® ophthalmic solution for eye allergies, *Travatan*® ophthalmic solution and *Azopt*® ophthalmic suspension for glaucoma, and *Cipro HC* otic suspension for ear infections (*CIPRO* is a trademark of and licensed from Bayer AG). We believe the productivity of our R&D efforts justifies our optimism for the future.

In 2003, we expect to launch *Vigamox*™ ophthalmic solution, a fourth-generation fluoroquinolone for eye infections, *CiproDex* otic suspension for ear infections and a once-a-day version of *Patanol*®. Other key pipeline products that we expect to introduce in the next few years include *CiproDex* ophthalmic suspension for eye infections, Anecortave Acetate for age-related macular degeneration (AMD), a combination of *Travatan*® and timolol for glaucoma, *Patanase*® nasal spray for allergies and 15(S)-HETE for dry eye.

Given the breadth of our product pipeline, we made the strategic decision in 1998 to expand our pharmaceutical sales force. Since then we have almost tripled its size in the United States and broadened its scope to reach all medical specialties that prescribe ophthalmic products. These include not only ophthalmologists and optometrists, but also pediatricians, allergists, otolaryngologists and family practice physicians.

While the vast majority of Alcon's pharmaceutical sales come from patent-protected drugs, we recognize generic drugs play an important role in today's healthcare environment. In 1998, Alcon established Falcon Pharmaceuticals, Ltd., which is now the leading U.S. producer of generic drugs for the eye and ear, based on 2002 revenues.

Treating glaucoma

Glaucoma is primarily caused by increased pressure within the eye that progressively damages the optic nerve. Without treatment, this inevitably and irreversibly leads to loss of visual function and ultimately can result in total blindness. A chronic disease generally associated with aging, glaucoma may afflict as many as 10 million people in the developed world and countless more in less-developed countries. Glaucoma has no cure, so patients will typically use one or more medications to control its progress for the rest of their lives.

Because it is usually painless, slow to advance and typically begins by impairing peripheral vision only, many people with g
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The human eye has a remarkable ability to protect itself from bacteria, but sometimes these defenses are insufficient to fight off infections. A common type of eye infection is bacterial conjunctivitis, more commonly known as "pink eye," which causes external eye tissues and eyelids to become red, swollen and painful. It occurs most frequently in children and is usually diagnosed and treated by pediatricians. On rare occasions, more serious infections can occur inside the eye itself after surgery. One of the main reasons such infections are rare is that surgeons typically use topical ocular antibiotics before and after surgery to kill bacteria that could enter the eye through incisions.

Alcon provides a full complement of topical antibiotics and steroids to treat infection and inflammation, including *TobraDex*® ophthalmic suspension and ointment, a combination therapy that addresses infection and inflammation in a single medication. We believe the convenience of *TobraDex*® increases patient compliance, which has

prescribed combination product for the prevention of post-surgical eye infections in the United States, with a market share exceeding 65%. *Ciloxan*® ophthalmic solution, a topical version of ciprofloxacin, is prescribed by doctors to prevent and treat eye infections.

Alcon also markets *Cipro HC*, a combination antibiotic/anti-inflammatory formulation to treat outer ear infections, commonly known as "swimmer's ear." This product demonstrates our successful strategy of leveraging the effectiveness of a compound we know well, to deliver products for the treatment of diseases of organs other than the eye. While *TobraDex*® and *Ciloxan*® are used extensively by ophthalmologists and ophthalmic surgeons, more than half of the prescriptions written for *TobraDex*® and more than two-thirds of the prescriptions for *Ciloxan*® come from other medical specialties.

Treating allergy

Allergies of the eye, mostly allergic conjunctivitis, affect some 20 million Americans around the world, causing itching, burning and redness. Systemic allergy medications have a relatively small impact on the causes and symptoms of eye allergies. Consequently, physicians are increasing their prescriptions for topical medications to address eye allergies.

Alcon's *Patanol*® is the leading topical eye allergy drug in the U.S. market today. It combines a fast-acting antihistamine to quickly treat the irritating symptoms of allergies and a mast-cell stabilizer to calm the cells causing the allergic reaction. These easy-to-use eye drops provide fast, effective and long-lasting relief. After receiving approval in Europe in 2002, *Opatanol*® ophthalmic solution was introduced in many of those markets in time for the 2003 spring allergy season.

Treating age-related macular degeneration

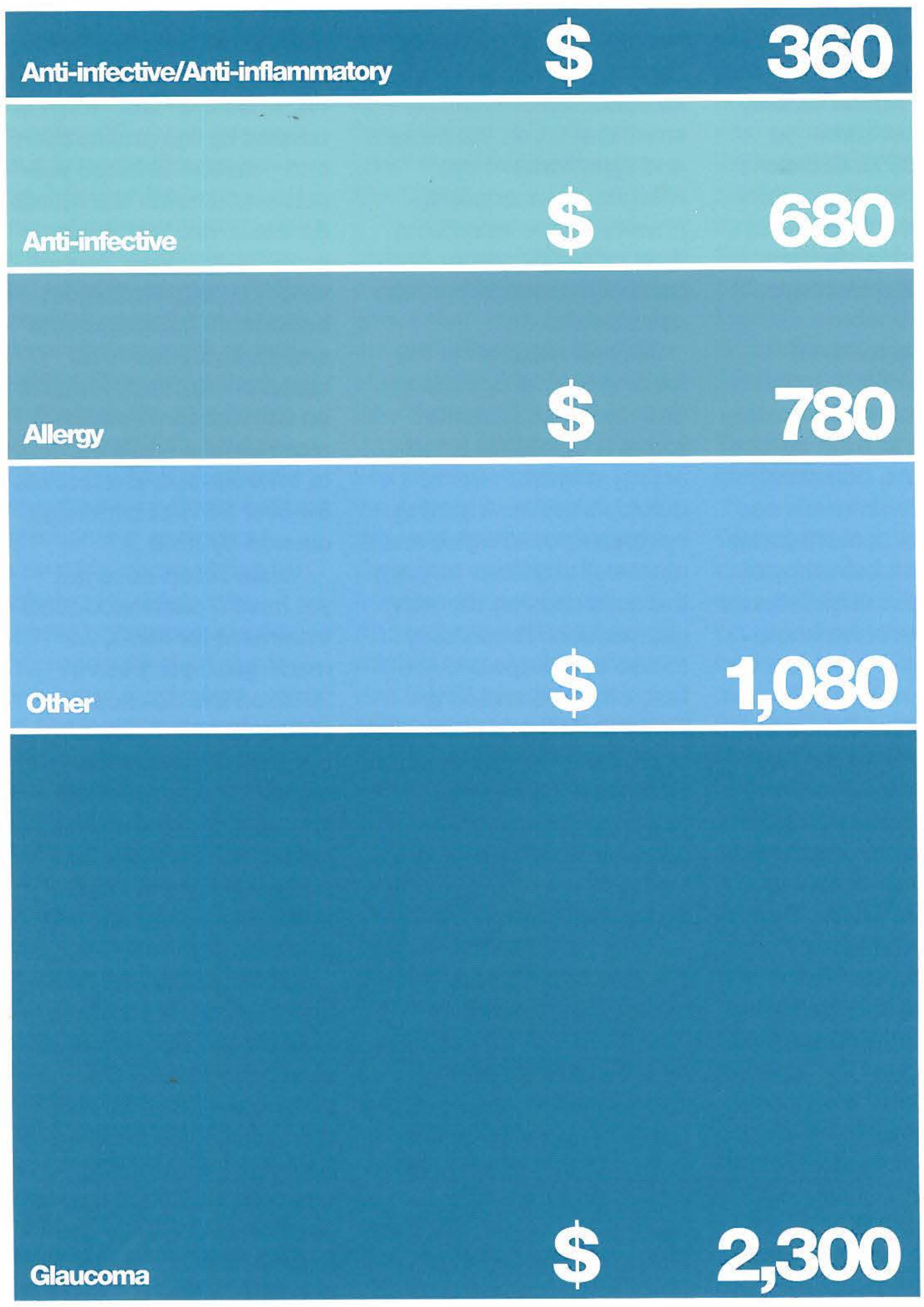
As the leading cause of visual impairment in people over the age of 50 in the United States, Europe and Japan, AMD is a very important disease category. There are two forms of AMD, both of which can

ment. The "dry" form is associated with the growth of fatty deposits on the retina, while the "wet" form is caused by the proliferation and eruption of blood vessels underneath the retina. As these two forms progress, they impair central vision, greatly limiting an individual's independence and lifestyle. Our AMD research currently focuses on the wet form, which represents a small minority of total cases but accounts for over 85% of blindness caused by AMD.

While Alcon does not yet have a pharmaceutical treatment for AMD, we made good progress in 2002 on the development of Anecortave Acetate, our lead AMD product candidate. We reported statistically significant clinical results from our first pivotal study and began recruiting for our second pivotal study.

Although the AMD market opportunity remains virtually untapped, many observers believe the potential market for AMD therapies could be in the billions of dollars; and one day could rival that of glaucoma, currently the largest market segment in ophthalmology.

Market / $5.2 billion ophthalmic pharmaceuticals market (in millions)



Company estimates as of March 31, 2002

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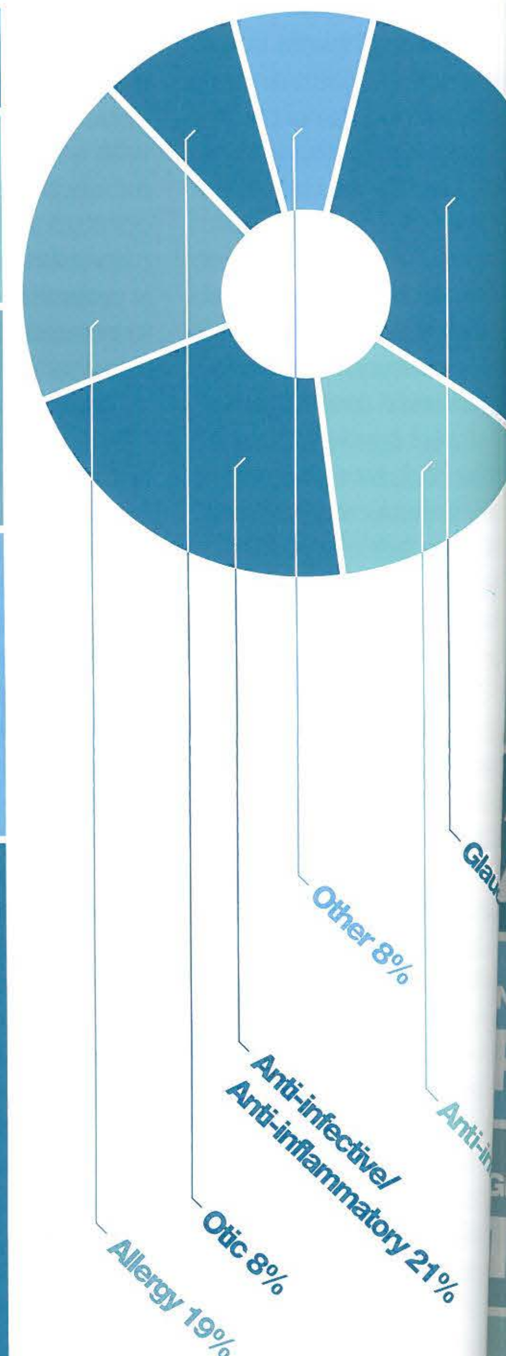

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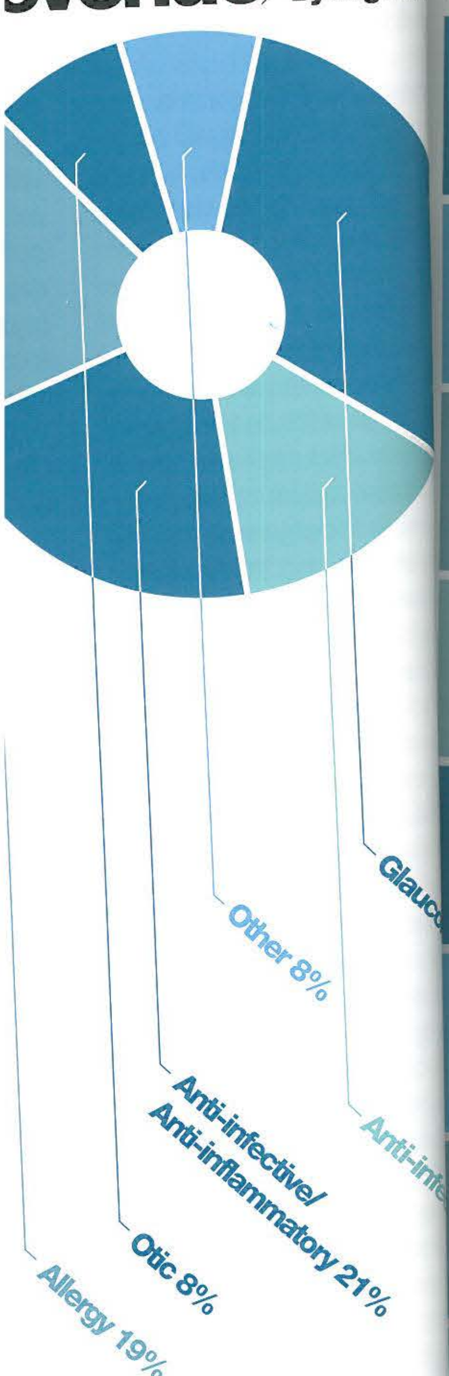

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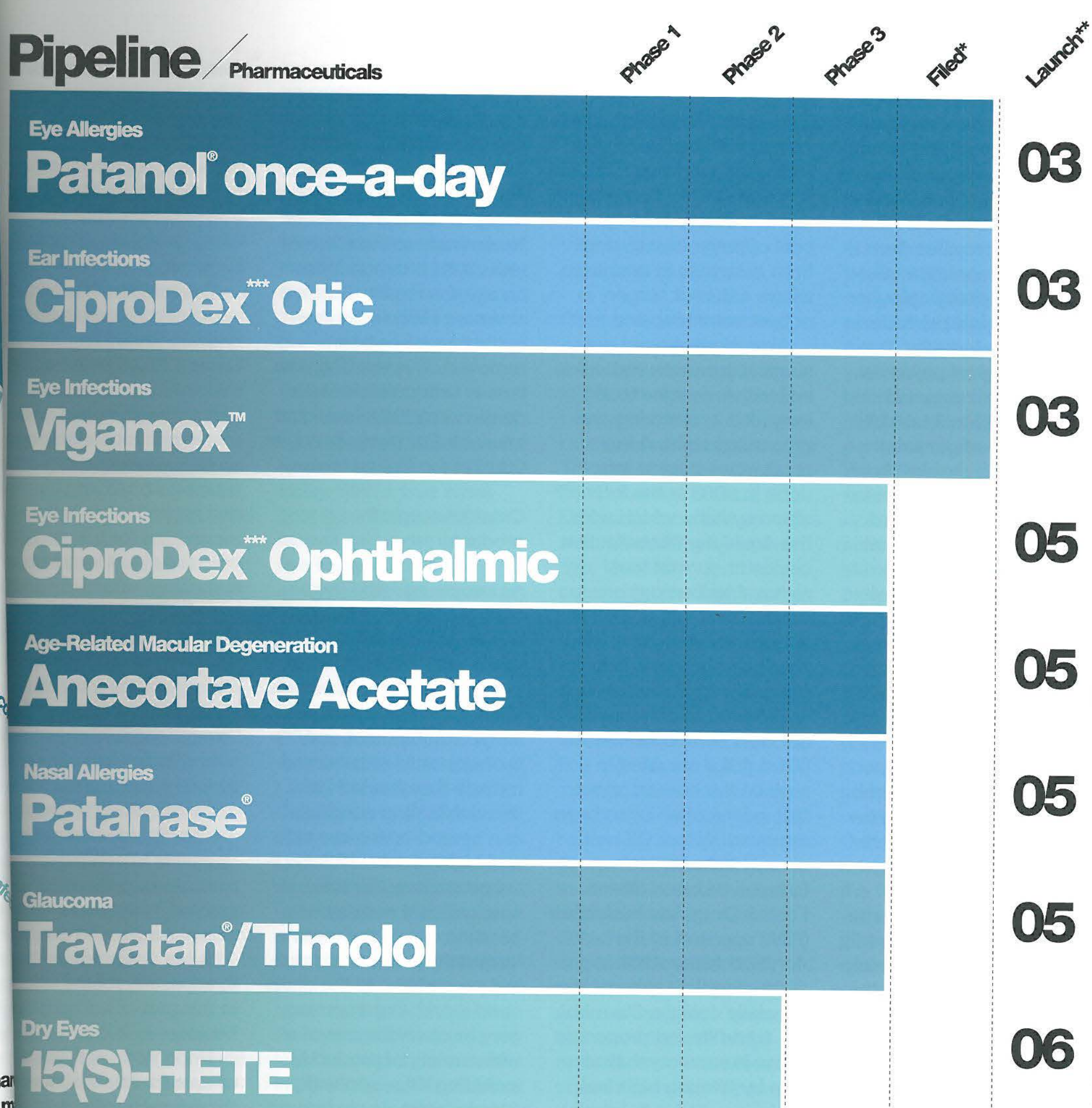

ith U.S. FDA **Expected in U.S. ***CIPRO is a registered trademark of and licensed from Bayer AG

Surgical Products

A large number of eye conditions, including cataracts, vitreal and retinal disease, refractive errors and presbyopia, do not respond to drug therapies but can be corrected or treated with surgery. Alcon provides the most comprehensive offering of high-quality ophthalmic surgical products in the eye care industry. Our sales of surgical products and services increased 6.0% in 2002 to $1.44 billion, or 48% of our total sales. Alcon's surgical business has become the clear leader with an estimated 45% of the global market for ophthalmic surgical products. We have consistently enhanced the capabilities of the equipment and supplies used by doctors to treat these conditions.

Most eye problems addressed surgically are associated with aging, so the number of people who need eye surgery will grow as the baby boom generation enters the age range when eye disease and visual dysfunction become more common. Additionally, the number of ophthalmologists in developing countries trained to perform eye surgery increases every year. Our global presence and 40 clinical training centers around the world increase the likelihood that surgeons in these countries are trained on Alcon equipment. Armed with our advanced technology, we expect these surgeons to play a major role in treating the large pool of patients suffering from cataracts in countries where cataract surgery is not yet commonplace.

Alcon's pipeline of new surgical products embodies innovative designs to aid surgeons in restoring and preserving sight. A key product we plan to introduce in 2003 is the *Infiniti*™ vision system, which adds the *AquaLase*® liquefaction device to current lens removal technology. *AquaLase*® uses pulses of a surgical solution to safely break up and remove lens material.

We have high hopes for our new intraocular lenses (IOLs). IOLs are used to replace the human crystalline lens after it has been removed. With a CE mark already in hand, we expect to receive United States Food & Drug Administration (FDA) approval of the *AcrySof*® *Natural* IOL in 2003. *AcrySof*® *Natural* is specially designed to mimic the light-filtering properties of the human crystalline lens by filtering high frequencies of blue light associated with retinal damage. Other planned additions to the *AcrySof*® family include a toric version to correct astigmatism in 2004 and *AcrySof*® *ReStor*™, which is designed to allow patients to eliminate or significantly reduce their dependence on eyeglasses for distance and near vision after their natural lens has been removed. This exciting new lens is scheduled for introduction in 2003 in selected international markets and in 2005 in the United States.

Cataract surgical products

As people age, the eye's natural crystalline lens hardens and becomes clouded, which can impair vision and eventually lead to blindness. Thanks to modern microsurgical equipment and techniques to remove and replace the clouded lens, this debilitating condition can be addressed in a safe and highly successful surgical procedure. For this reason, cataract surgery has become one of the most frequently performed medical procedures in the developed world. Cataract surgery involves the use of a wide variety of products, including IOLs, sophisticated electronic equipment,

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damaged natural lens and replaces it with an IOL. The purpose of this lens is to replace the function of the natural lens and properly focus light on the retina to restore vision. Alcon's *AcrySof*® lenses were by far the most frequently implanted foldable lenses in the developed world in 2002, with an estimated global market share exceeding 40%. After being introduced in 2001, the single-piece version of the *AcrySof*® now comprises almost 75% of total *AcrySof*® sales in the United States, and we hope to duplicate this in other countries in the future.

Refractive surgical products

The most prevalent eye problems in the world today are refractive errors: myopia (near-sightedness), hyperopia (far-sightedness) and astigmatism (irregular cornea shape). Although doctors usually correct these conditions with prescription eyeglasses or contact lenses, many patients do not want to be dependent on glasses or contacts so they turn to refractive surgery. The most common form of refractive surgery, LASIK (laser assisted *in situ* keratomilieusis), employs a laser that reshapes the cornea to the desired curvature. LASIK is an elective procedure that most patients pay for themselves, so it is highly affected by the economic environment. Nevertheless, in 2002 doctors performed more than two million LASIK procedures around the world.

We believe Alcon's *LADARVision® 4000* excimer laser is the most advanced refractive laser system on the market today. With a true small-spot laser beam and the fastest and most precise eye tracker, it has gained a powerful reputation among surgeons for its ability to perform the most complicated refractive surgeries. In 2002 we became the first company to receive FDA approval to use a wavefront device to guide LASIK procedures. The *CustomCornea*® wavefront system employs our *LadarWave*™ measurement device that captures optical errors across a patient's entire visual system, develops a treatment customized for each individual eye, matches it precisely with the eye and directs the laser to treat the corneal imperfections unique to each patient. Alcon was the first company to receive FDA approval of a wavefront-guided refractive procedure, and we launched this new technology in the fourth quarter of 2002.

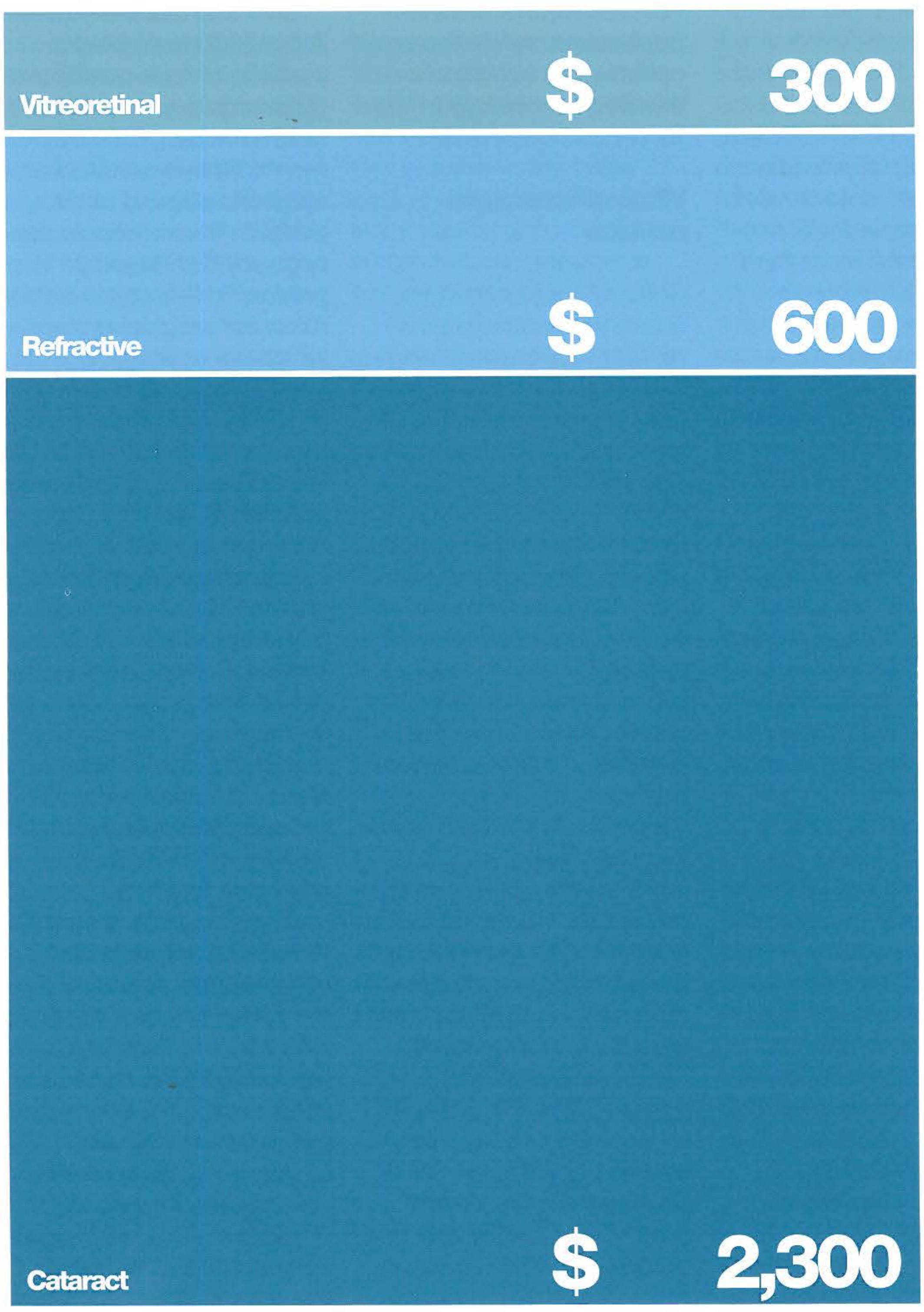
Vitreoretinal surgical products

Cataracts and refractive errors are relatively common, but diseases of and injuries to the eye's posterior segment and retina are rarer and more challenging. The posterior segment contains vitreous, a clear, jelly-like substance that provides structural integrity to the eye. Visual impairment caused by problems in this part of the eye is usually the result of undesirable tissue or blood vessel growth that distorts light waves as they pass through the eye. The retina is the light-sensitive membrane lining the inside of the back of the eye and is directly connected by the optic nerve to the brain. The most common retina-related causes of vision loss are retinal detachment, macular degeneration, diabetic retinopathy and macular edema. Surgeries to repair damaged tissues and restore or slow the loss of vision are extremely complicated and require specialized skills and equipment.

Over the last ten years, Alcon has assembled a portfolio of high-quality precision equipment and hand-held microsurgical instruments that vitreoretinal surgeons depend on to perform these delicate procedures. Our flagship product in this arena is the *Accurus*® surgical system, which we estimate was used in more than half of all vitreoretinal procedures performed globally in 2002. We delivered a complete software upgrade to the *Accurus*® in 2002 and created a new performance standard for vitreoretinal probe dynamics with the introduction of a 2500 cuts-per-minute probe. Together these advances improve stability, control and efficiency during surgery, reducing the potential for damage to the retina and other eye tissues.

Alcon also introduced the *Grieshaber® Revolution*™ micro-scissor and forceps, the first product of its kind with 360-degree activation technology. This remarkable system established a new performance standard by providing more precise instrument placement, which is critical when operating on delicate tissues like the retina.

Market / $3.2 billion ophthalmic surgical market (in millions)



Company estimates as of March 31, 2002

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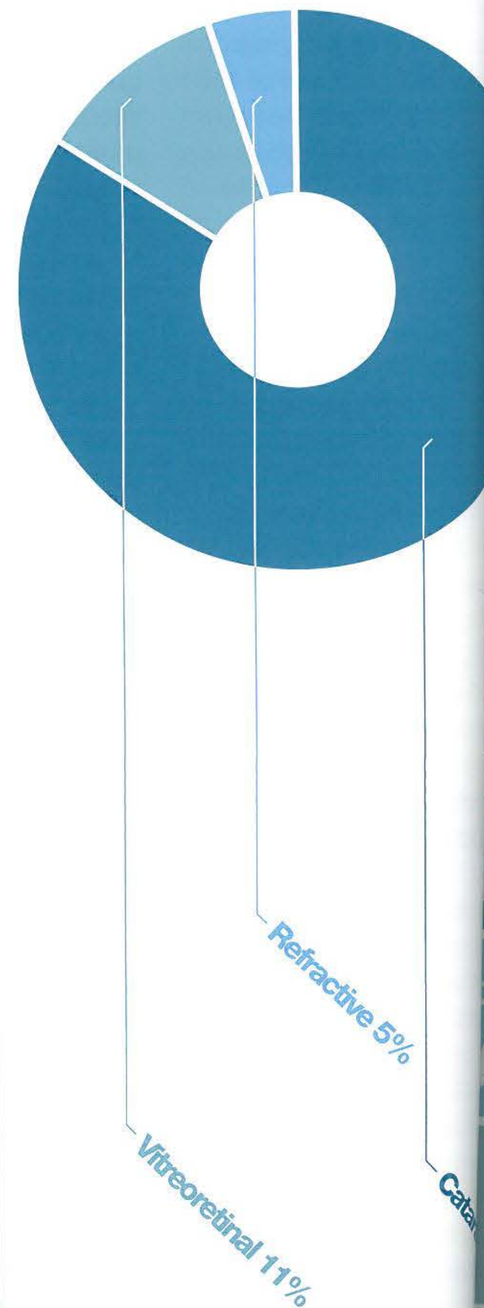

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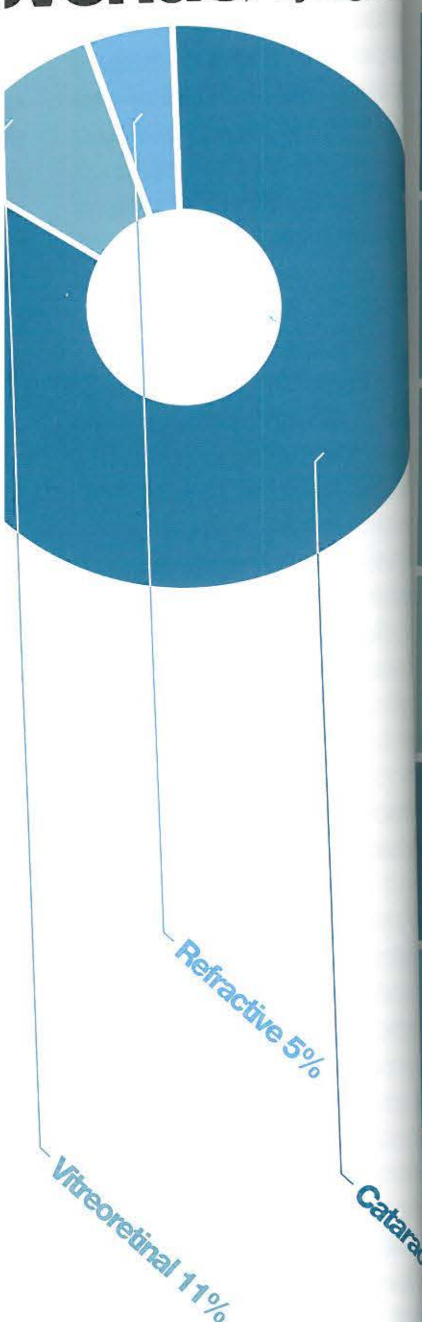

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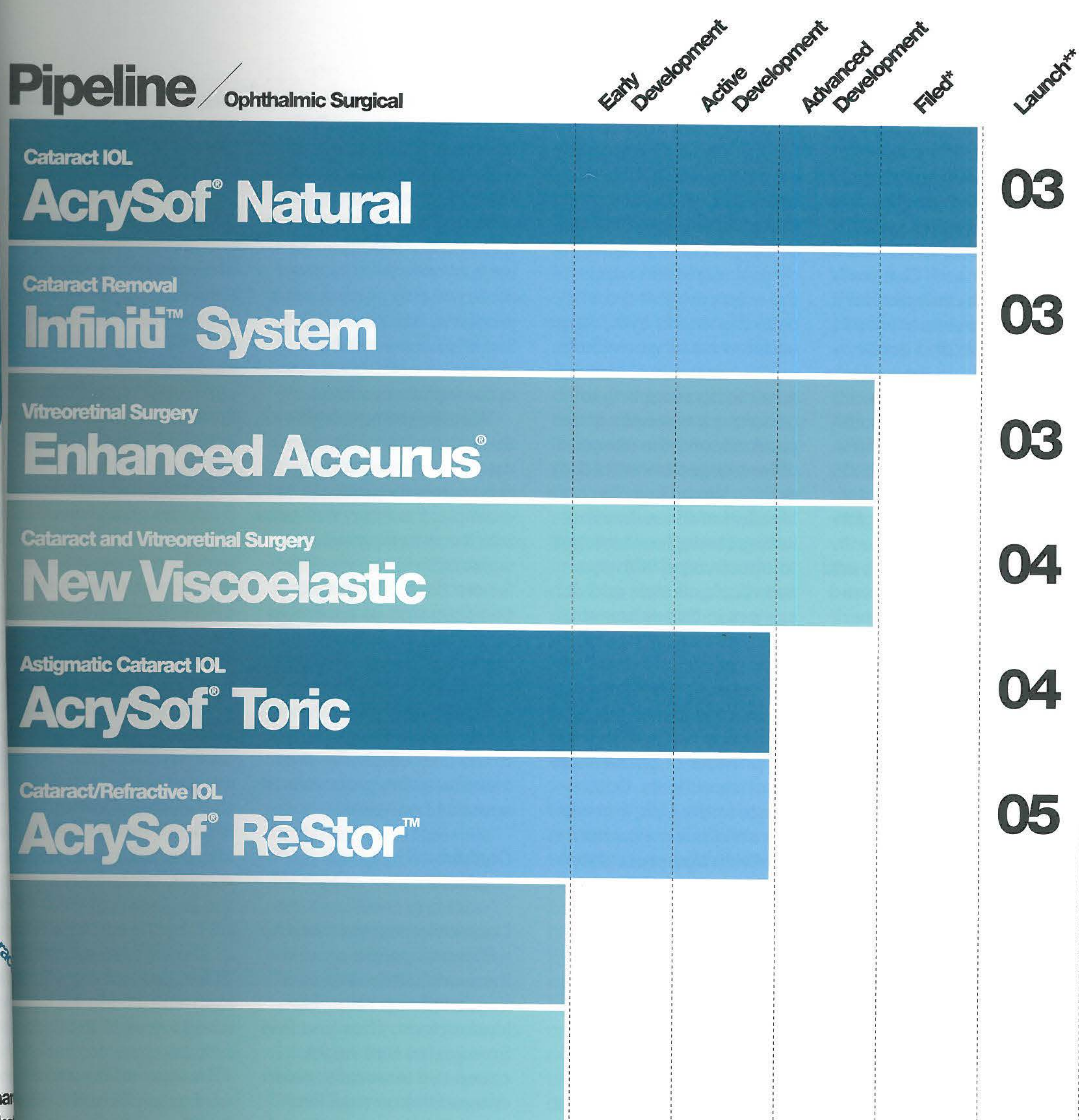

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Consumer Products

With a 19% share of the global market, Alcon is the second largest manufacturer and marketer of consumer products for the eye (excluding eyeglasses or contact lenses, which we do not make or sell). Our portfolio of products includes contact lens care solutions, artificial tears and ocular vitamins. Within these three main areas, Alcon is the market leader in the multi-purpose soft lens disinfection markets in the United States and Japan, and the number two company globally in total contact lens solutions, artificial tears and ocular vitamins. Total consumer eye care sales for 2002 were $480 million, 4.1% ahead of the previous year, which represented 16% of our total revenues.

Consumer eye care products are sold primarily over the counter through drug stores and other retailers in the United States and through opticians elsewhere in the world. Although consumers purchase most of these products at retail, their purchase decisions are highly influenced by the product recommendations given to them by eye care professionals, including ophthalmologists, optometrists and opticians. We believe we earn their professional recommendations to consumers because of Alcon's dedication to applying quality science to developing all our consumer products. We implement a comprehensive program of clinical studies to support the science behind our products. In the U.S., Japan and several other markets, we also use consumer advertising programs to generate awareness of our products and the new and differentiated benefits they deliver. We believe the combination of these two marketing strategies is integral to our success with eye care professionals and consumers in this segment of the ophthalmic market.

An important aspect of our consumer eye care business is its contribution to our position as the leading provider of ophthalmic pharmaceuticals. Optometrists in the U.S. that recommend our consumer products also prescribe with increasing frequency ophthalmic drugs to treat many eye diseases and conditions. In fact, ophthalmic prescriptions written by optometrists approached 10% of our total prescription volume in the United States.

Alcon is well-positioned to meet the needs of these eyecare professionals, many of whom have expanded their primary eye care role in managed care organizations. Our U.S. consumer sales force calls on these eye doctors and our sales people have been trained to promote not only our consumer products, but also our entire line of pharmaceutical products applicable to an optometrist's practice.

We also gain synergies in the research and development and manufacturing of our consumer products. For example, the effort that goes into the development of some of the preservatives for our contact lens solutions can also be applied to preservatives in our pharmaceutical products. Finally, the production volumes associated with many of our consumer products contribute to the cost efficiency of our manufacturing processes at several of our plants.

Contact lens care

Contact lenses are worn by millions of people around the world, and every user needs to keep his or her lenses clean, clear and free from germs that might cause eye infections. Alcon entered the contact lens care business more than 20 years ago, but only
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this distinction by clinically demonstrating the superior comfort of *OPTI-FREE® EXPRESS® No Rub™* compared to other leading contact lens solutions. We began promoting this attribute to the professional community in October 2002 and commenced consumer advertising in the first quarter of 2003. We expect these advertisements to increase patient awareness and further differentiate our product from other contact lens solutions.

We also sell products for the care and cleaning of rigid gas-permeable lenses (hard lenses), led by *Unique-pH®* multi-purpose disinfecting and cleaning solution, as well as a full line of other cleaning products. These products include *CLERZ® Plus* lens rewetting drops that reduce protein build-up and keep lenses moist while in the eye and *OPTI-FREE® SupraClens®* preservative-free active cleaning solution.

Artificial tears for dry eyes

Many people experience periodic or chronic eye discomfort caused by corneal dryness, which may be the result of low tear production, poor tear quality, reduced mucin production or inflammation. Dry eye also is associated with environmental pollution and lifestyle changes, but age and hormonal changes are more important factors, especially in women after menopause. As a result, the global market for products to treat dry eye conditions is growing in the range of 6% to 8% annually.

Doctors primarily have used artificial tears to treat the symptoms of dry eye and provide temporary relief for this irritating condition. Periodic application of these products works relatively well for intermittent cases of moderate dry eye. More severe, chronic cases require frequent application and products that include special polymers and other compounds to make them more effective.

Alcon currently sells a variety of artificial tears, including *Tears Naturale® Forte* lubricant eye drops for mild to moderate dry eye conditions and *Bion® Tears* lubricant eye drops for more severe cases. *Tears Naturale® Forte* is very similar to natural tears in composition but includes a polymer that helps retain moisture in the eye. *Bion® Tears* adds zinc and bicarbonate to the formula to improve effectiveness in patients with severe symptoms.

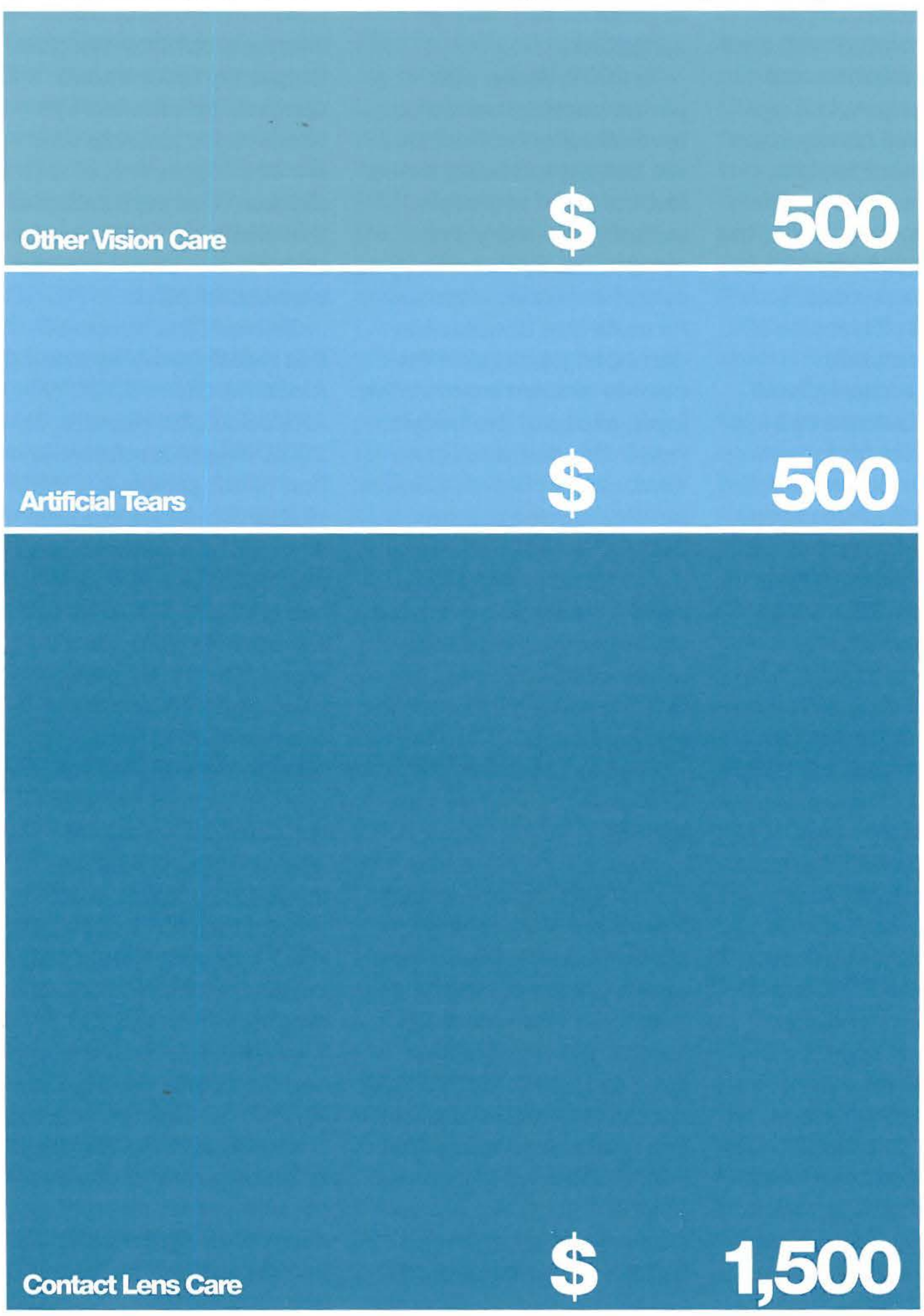
In 2002, Alcon completed development of a revolutionary product that we believe will bring a new level of relief to people suffering from dry eye symptoms. *Systane™* dry eye therapy has a unique formula that bonds with damaged portions of the cornea to form a protective layer, allowing the body to repair the damaged portions of the cornea. Clinical studies demonstrated that *Systane™*, launched in early 2003, provided relief by reducing both the signs and the symptoms of dry eye better than the leading artificial tear on the market today.

Ocular vitamins

Recently published results from long-term clinical studies demonstrate that certain vitamins have a beneficial impact on eye health. The Age-Related Eye Disease Study (AREDS) conducted by the National Eye Institute revealed that consumption of high levels of antioxidants are associated with reduced incidences of age-related macular degeneration. Because many people do not receive sufficient levels of these vitamins, ophthalmologists frequently recommend specially formulated eye vitamins for patients who are at a higher risk of retinal disease. The publication of this study led to an acceleration of demand for ocular vitamins in 2002.

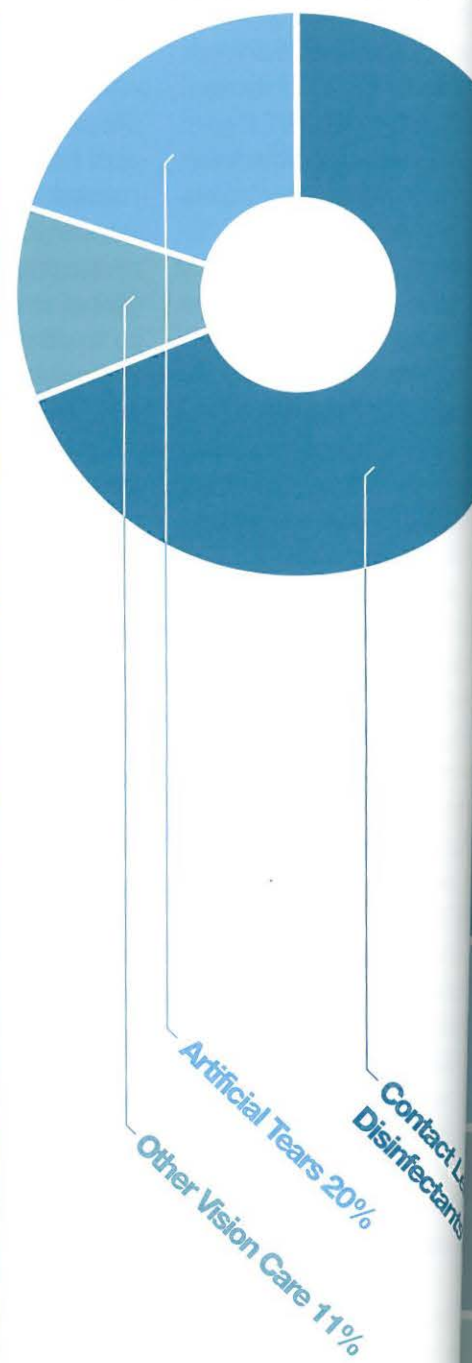
To meet the needs of this rapidly growing market, Alcon introduced *ICAPS® AREDS* ocular vitamins in 2002. This is a reformulation of our previous *ICAPS®* vitamins to include all the vitamins and compounds the *AREDS* study found beneficial to the health of the eye. We expanded our promotion of this product to reach all eye care professionals who recommend vitamin therapy, with a special focus on retinal specialists. Our strong relationships with these surgeons, who are the specialists who treat most AMD patients, should help us gain increased physician recommendations for *ICAPS®* vitamins in the coming years. We believe *ICAPS® AREDS* formula has a bright future as the population ages and more people become aware of the benefits of ocular vitamins in reducing the incidence of retinal disease.

Market / $2.5 billion consumer eye care market (in millions)



Company estimates as of March 31, 2002

Revenue / By segm



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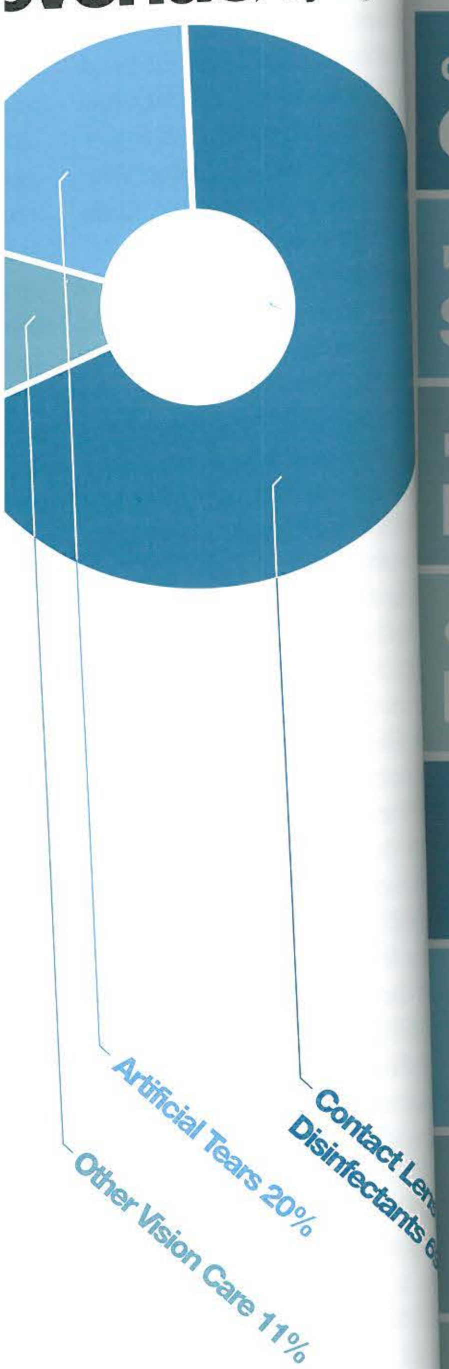

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Pipeline / Consumer Eye Care

Pre-Clinical | Active Clinical | Advanced Clinical | Approved* | Launch**

Contact Lens Care
Opti-Free® Lasting Comfort — 03

Dry Eyes
Systane™ — 03

Dry Eyes
InteliPORT® Punctal Plug — 03

Contact Lens Care
New Disinfectant — 04

…y U.S. FDA as required **Expected in U.S.

Management Team

Tim Sear	Chairman, President and Chief Executive Officer (1)	Clockwise from top center
Fred Pettinato	Senior Vice President, Alcon International (2)	
Cary Rayment	Senior Vice President, Alcon United States (2)	
André Bens, Ph.D.	Senior Vice President, Global Manufacturing and Technical Support (2)	
Jacqualyn Fouse	Senior Vice President, Finance and Chief Financial Officer (1)	
Gerald Cagle, Ph.D.	Senior Vice President, Research and Development (2)	

(1) Alcon, Inc. and Alcon Laboratories, Inc. (2) Alcon Laboratories, Inc.

Clockwise
from top
center

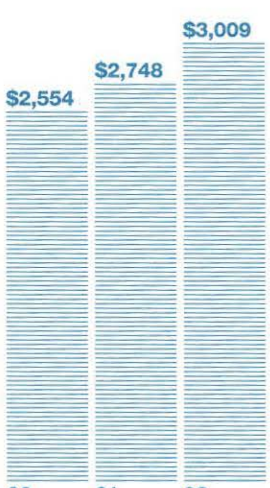
l Support (2)
(1)

The nearly
12,000 employees
who make up Alcon's
global workforce
are guided by
an experienced team
of senior executives.
We are committed
to leveraging
Alcon's position as
the global eye care
market leader in
the quest for enhanced
shareholder value.

Financial Highlights

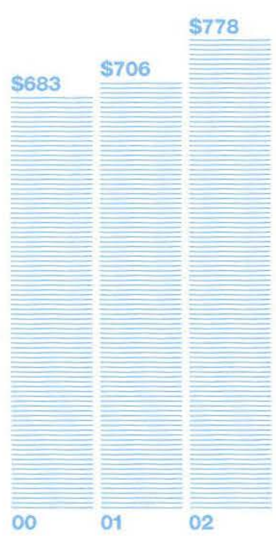
Alcon has now completed its first year as a public company and I am pleased to report strong financial results for 2002. In the following pages, you will find a detailed management discussion and analysis of these results, which I encourage you to read along with our entire Form 20-F to gain a more complete understanding of

Sales (in millions)



Alcon's 2002 financial performance. However, before you turn the page, I would like to take this opportunity to highlight the key financial metrics that drove our performance during the year. As you will see, Alcon is off to a great start as a public company. Nevertheless, we know performance is not measured by one year, but rather by the consistent delivery of earnings growth and increases in shareholder value. This is

Operating Income before Amortization (in millions)



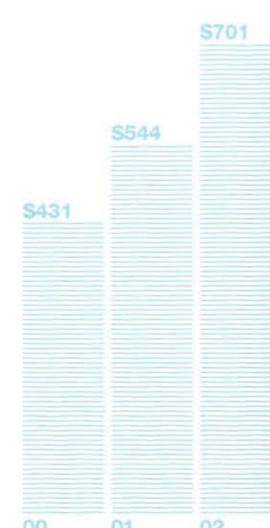
what we intend to deliver to you for many years into the future.

Our financial success in 2002 began with healthy and balanced sales growth across our major product lines. Global sales reached $3.01 billion, which represented a 9.5% increase compared to 2001. Our U.S. business grew a healthy 11.5%, while sales outside the U.S. gained 7.3%. Excluding foreign currency fluctuations, our global sales would have grown 10.0% in 2002. Pharmaceutical sales increased 17.4% over 2001, driven mainly by underlying growth in most product categories, as well as by market share gains within them. The pharmaceutical growth rate also benefited from more severe than normal allergy seasons in the U.S. and from a rapid buildup of *Travatan®* ophthalmic solution sales since its introduction in April 2001. Broad market-share gains in cataract and vitreoretinal procedures and intraocular lenses, somewhat offset by a decline in refractive sales due to a weak market for LASIK surgery, drove surgical product sales 6% ahead of 2001. Sales of consumer eye care products rose 4.1% over 2001, in line with our expectations for this segment in a flat market environment.

Alcon entered 2002 with a global sales, marketing and manufacturing infrastructure already in place around the world. Even with the expansion of our U.S. sales force, we grew selling, general and administrative expenses more slowly than sales. This allowed us to invest additional funds in research and development projects and absorb several one-time charges without compromising operating profi[t]. Before amortization, oper[-] ating profit increased 10.2% to $778.2 million, [or] 25.9% of sales, while aft[er] amortization it rose 19.5[%] to $703.7 million or 23.4[%] of sales. The large increa[se] after amortization reflect[s] the impact of the adoption in 2002 of Financial Accounting Standard 142 which eliminated the reg[u-] lar amortization of goodw[ill].

It was especially grati[fy-] ing to grow operating pr[ofit] at the same time we ex[-] panded our sales force and increased our inves[t-]

Cash Flow from Operations (in millions)



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For the last several years, we have added m[ore] salespeople to optimize the potential sales impact resulting from new phar-

Research and Development Expense (in millions)

maceutical product launches. With our sights set further into the future, in 2002 we invested significant additional funds into our development of treatments for age-related macular degeneration, specifically our lead drug candidate Anecortave Acetate. This is critical to our long-term success because it represents our value creation strategy: investments in research lead to new products which increase sales through our established operational infrastructure [t]o grow earnings and cash

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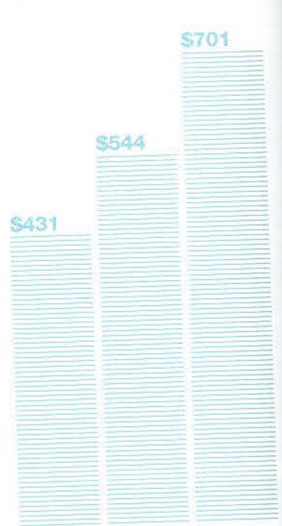

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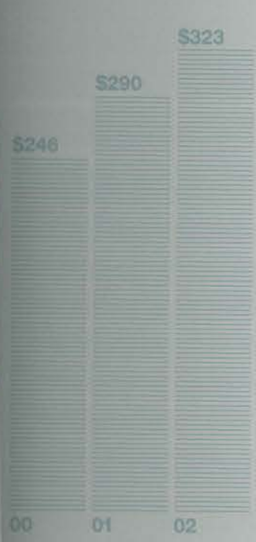

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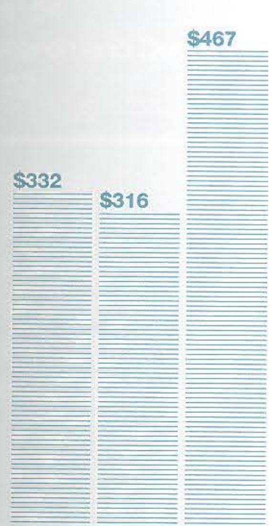
Strong operational cash flow combined with diligent asset management allowed us to reduce our net debt by almost $500 million since our IPO in March

Net Earnings (in millions)



(adjusted for the redemption of Nestlé-owned preferred stock with IPO proceeds). Net debt reduction, along with lower interest rates, drove net interest expense down by $29.5 million in 2002. We also benefited from a significant decline in our effective tax rate, partly as a result of a change in accounting standards, but also due to settlements of certain tax audits and changes in the mix of income earned in various countries. These financial factors had a relatively large impact on our earnings in 2002, but are not expected to be as important, in a relative sense, to earnings growth going forward.

Balanced sales growth from new products, market growth and share gains, combined with operational leverage, reduced interest costs, and a lower tax rate pushed net earnings to $466.9 million in 2002, 47.9% ahead of last year. All in all, 2002 was a successful first year for us as a public company and our results bolstered Alcon's financial strength, leaving us with the financial flexibility that is so critical to the continuation of our value creation cycle.

Alcon is a new company to many of our shareholders, but we have been building our leadership position in this industry for over half a century. During that time we have learned that our financial success is not just about the next quarter's numbers. Instead, it is about remaining intently focused on the longer-term opportunities that exist in our industry and maintaining a high ethical standard in our business conduct. We are a company that cares deeply about our reputation with our customers, our employees, our communities and our shareholders. I want to reassure you that Alcon is committed to reporting our financial results with integrity, clarity and transparency. Furthermore, even though we have had good financial controls and procedures in the past, we have strengthened them even further in the last year to take into account the financial reporting obligations that accompany our new status as a public company and new laws reflecting heightened concerns about corporate governance.

Thank you for your support and confidence in Alcon.

Jacqualyn Fouse
Senior Vice President,
Finance and
Chief Financial Officer

Alcon achieved
or exceeded
our financial goals
each quarter of fiscal 2002.
Our unwavering focus
on creating
and delivering
the best products
and services for
eye care professionals,
patients and consumers
is what has driven and
will continue to fuel
Alcon's growth.

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002.

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Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis in conjunction with our financial statements and notes thereto included elsewhere in this report. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. Please see "Cautionary Note Regarding Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to these statements.

Overview of Our Business

General

Alcon, Inc. and its subsidiaries develop, manufacture and market pharmaceuticals, surgical equipment and devices and contact lens care and other vision care products that treat eye diseases and disorders and promote the general health and function of the human eye. Founded in 1945, we have local operations in over 75 countries and our products are sold in more than 180 countries around the world. In 1977, we were acquired by Nestlé S.A. Since then, we have operated largely as an independent company, separate from most of Nestlé's other businesses and have grown our annual sales from $82 million to over $3.0 billion primarily as a result of internal development and selected acquisitions. In March 2002, Nestlé sold approximately 25% of its ownership of Alcon through an initial public offering (IPO).

We conduct our global business through two business segments: Alcon United States and Alcon International. Alcon United States includes sales to unaffiliated customers located in the United States of America, excluding Puerto Rico. Alcon United States operating profit is derived from operating profits within the United States, as well as operating profits earned outside of the United States related to the United States business. Alcon International includes sales to all other unaffiliated customers. Each business segment markets and sells products principally in three product categories of the ophthalmic market: (i) pharmaceutical (e.g., prescription ophthalmic drugs); (ii) surgical equipment and devices (e.g., cataract, vitreoretinal and refractive); and (iii) contact lens care (e.g., disinfecting and cleaning solutions) and other vision care products (e.g., artificial tears). Business segment operations generally do not include research and develop ment, manufacturing and other corporate functions. We market our products to eye care professionals as well as to the direct purchasers of our products, such as hospitals, managed care organizations, government agencies/ entities and individuals.

Market Environment

Demand for health care products and services is increas ing in established markets as a result of the aging of the population and the emergence of new drug therapies an treatments for previously untreatable conditions. Likewis demand for health care products and services in emergi markets is increasing primarily due to the adoption of medically advanced technologies and improvements in living standards. As a result of these factors, health care costs are rising at a faster rate than economic growth in many countries. This faster rate of growth has led go ernments and other purchasers of health care products and services, either directly or through patient reimburs ment, to exert pressure on the prices of health care products and services. These cost-containment efforts vary by jurisdiction.

In the United States, Medicare reimbursement policies and the influence of managed care organizations conti to impact the pricing of health care products and servic For example, a Medicare prescription drug benefit program is being considered which would present opportu ties and challenges for pharmaceutical companies. So states are also moving to implement more aggressive price control programs and more liberal generic substi tion rules that could result in price reductions. In additi managed care organizations use formularies and their buying power to demand more effective treatments at lower prices. Both governments and managed care organizations have supported increased use of generic pharmaceuticals at the expense of branded pharmaceuticals. We are well-positioned to address this mark opportunity with Falcon Pharmaceuticals, Ltd., our ge pharmaceutical business, which currently has the #1 ket share position in generic ophthalmic pharmaceut ıs

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ıclude research and develop
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in the United States, based on revenues in 2002. We also use third-party data to demonstrate both the therapeutic and cost effectiveness of our branded pharmaceutical products. Moreover, to achieve and maintain attractive positions on formularies, we need to continuously introduce medically advanced products that differentiate us from our competitors and are value priced.

The prospect of a Medicare prescription drug benefit puts additional pressure on policy makers to offset the program's cost by controlling budgets for reimbursement to surgical facilities. This impacts our industry's ability to maintain premium pricing for older technologies and non-differentiated products. New technologies for surgical procedures are being challenged to substantiate that their higher cost is accompanied by significant clinical improvements for Medicare beneficiaries. We are preparing for this challenge by gathering the scientific and clinical data that demonstrate to Medicare that the products in our pipeline are cost effective when their higher costs are compared to their measurable benefits.

Outside of the United States, third-party payor reimbursement of patients and health care providers and prices for health care products and services vary significantly and, in the case of pharmaceuticals, are generally lower than those in the United States. In Western Europe, where government reimbursement of health care costs is widespread, governments are requiring price reductions. The economic integration by European Union members and the introduction of the euro are also impacting pricing in these markets, as more affluent member countries are requesting prices for health care products and services comparable to those in less affluent member countries. In Latin America, where there is less government reimbursement of health care costs, many of our products are paid for by private health care systems covering a small portion of the population. As a result, economic conditions in this region have a significant impact on prices and demand for health care products and services. As one example, we have recently experienced a decline in sales in Argentina, one of our largest markets in the region, as a result of economic conditions in that country.

In most of the countries in Asia, average income levels are relatively low, government reimbursement for the cost of health care products and services is limited and prices and demand are sensitive to general economic conditions. However, many Asian countries have rebounded from the economic crises of 1997 and 1998 and demand for our products in this region has been rising. In addition, regulatory approval times are long and costs are very high in Japan, which delays the marketing of our pharmaceutical products there. In Japan, the National Health Ministry reviews pharmaceutical prices of individual products biannually. In the past, these reviews have resulted in price decreases. In April 2002, a round of overall price decreases went into effect, including a reduction in the total reimbursement amount for cataract and vitreoretinal surgery procedures, which puts downward pressure on products we supply. We expect a similar price review in 2004, in line with the Japanese government's previously announced plan for controlling health care costs.

Currency Fluctuations

Our products are sold in over 180 countries, and we sell products in a number of currencies in our Alcon International business segment. Our consolidated financial statements, which are presented in U.S. dollars, are impacted by currency exchange rate fluctuations through both translation risk and transaction risk. Translation risk is the risk that our financial statements for a particular period are affected by changes in the prevailing exchange rates of the various currencies of our subsidiaries relative to the U.S. dollar. Transaction risk is the risk that the currency structure of our costs and liabilities deviates to some extent from the currency structure of our sales proceeds and assets.

Our translation risk exposures are principally to the euro and Japanese yen. With respect to transaction risk, because a significant percentage of our operating expenses are incurred in the currency in which sales proceeds are received, we do not have a significant net exposure. In addition, substantially all of our assets which are denominated in currencies other than the U.S. dollar are supported by loans or other liabilities of similar amounts denominated in the same currency. From time to time, we purchase or sell currencies forward to hedge currency risk in obligations or receivables; these transactions are designed to address transaction risk, not translation risk. Our Japanese and South African subsidiaries purchase goods from some of our subsidiaries in U.S. dollars and hedge a portion of these intercompany liabilities using forward contracts. We have not experienced significant gains or losses as a result of these hedging activities.

Generally, a weakening of the U.S. dollar against other currencies has a positive effect on our sales and profits while a strengthening of the U.S. dollar against other currencies has a negative effect on our sales and profits. We experienced negative currency impacts as a result of the strengthening of the U.S. dollar during 2002, 2001 and 2000. In 2002, we experienced the positive effect of the weakening of the U.S. dollar against the major European currencies; however, this positive effect was offset by the increase in the value of the U.S. dollar versus the Japanese yen and Latin American currencies. During 2001, the primary cause of the negative currency impact was the strengthening of the U.S. dollar against the Japanese yen and the major European currencies, with lesser negative impacts relating to the Canadian, Australian and Brazilian currencies. During 2000, the negative currency impact was primarily due to the increase in the value of the U.S. dollar versus the major European currencies. We refer to the effects of currency fluctuations and exchange rate movements throughout this "Management's Discussion and Analysis of Financial Condition and Results of Operations," which we have computed by applying translation rates from the prior comparative period to the more recent period amounts and comparing those results to the more recent period actual results.

Operating Revenues and Expenses

We generate revenues largely from sales of ophthalmic pharmaceutical products, ophthalmic surgical equipmen
and devices and contact lens care and other vision care
products. Our operating revenues and operating income
are affected by various factors including unit volume,
price, currency fluctuations, acquisitions, licensing and t
mix between lower-margin and higher-margin products.

Sales of ophthalmic pharmaceutical products are prima
driven by the development of safe and effective product
that can be differentiated from competing products in
the treatment of ophthalmic diseases and disorders and
increased market acceptance of these new products.
Inclusion of pharmaceutical products on managed care
formularies covering the largest possible number of
patients is another key competitive factor. We face sign
cant competition in ophthalmic pharmaceuticals, includ
competition from other companies with an ophthalmic
focus and from larger pharmaceutical companies. In ge
eral, sales of our pharmaceutical products are not affec
by general economic conditions, although we face pres
sure to reduce prices from governments and United Sta
managed care organizations. We experience seasonali
our ocular allergy medicines, with a large increase in sa
in the spring and a lesser increase during the fall. Cost
of goods sold for our pharmaceutical products include
materials, labor, overhead and royalties.

Our surgical product category includes three product l
cataract, vitreoretinal and refractive. Sales of our produ
for cataract and vitreoretinal surgery are driven by tech
logical innovation and aging demographic trends. Howe
the number of cataract and vitreoretinal surgical proce
dures is not generally affected by economic conditions
We believe that our innovative and leading technology
our ability to provide customized (i.e., tailored to each s
geon's preference) surgical procedure packs with a bro
range of proprietary products are the keys to our succ
in these product categories. Sales of our refractive su
cal equipment and the related technology fees are dri
by consumer demand for laser refractive surgery. We
lasers and other surgical equipment used to perform

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rocedure packs with a bro
s are the keys to our succe
Sales of our refractive surg
d technology fees are driv
er refractive surgery. We s
uipment used to perform la

refractive surgeries and, in the United States, charge a technology fee for each surgery performed (one eye equals one surgery). Outside of the United States, we generally do not charge a technology fee, although we charge a technology fee when our *LADARWave*™ *Custom Cornea*® Wavefront System is used to guide our laser to perform a customized procedure. Because governments and private insurance companies generally do not cover the costs of laser refractive surgery, sales of laser refractive surgical products and related technology fees are sensitive to changes in general economic conditions and consumer confidence. There is no significant seasonality in our surgical business. Costs of goods sold for our surgical products include raw materials, labor, overhead, royalties and warranty costs. Operating income from cataract and vitreoretinal products is driven by the number of procedures in which our products are used. Operating income from laser refractive surgical equipment depends primarily on the number of procedures for which we are able to collect technology fees.

Sales of our contact lens care products are driven by ophthalmologist, optometrist and optician recommendations of lens care systems, our provision of starter kits to eye care professionals, and consumer preferences for more convenient contact lens care solutions. Contact lens care products compete largely on product attributes, brand familiarity, professional recommendations and price. The use of less-advanced cleaning methods, especially outside of the United States, also affects demand for our contact lens care products. There is no seasonality in sales of contact lens care products, and we have experienced little impact from general economic conditions to date, although in low-growth economic environments consumers may switch to lower-priced brands. Costs of goods sold for contact lens care products include materials, labor, overhead and royalties. Operating income from contact lens care products is driven by market penetration and unit volumes.

Our selling, general and administrative costs include the costs of selling, promoting and distributing our products and managing the organizational infrastructure of our business. The largest portion of these costs is salary for sales and marketing staff.

Research and development costs include basic research, pre-clinical development of products, clinical trials, regulatory expenses and certain technology licensing costs. The largest portion of our research and development expenses relates to the research, development and regulatory approval of pharmaceutical products. During each of the years 2002, 2001 and 2000, a greater proportion of our research and development expenses were incurred during the second half of the year than during the first half.

Our amortization costs relate to our acquisitions and the licensing of intangible assets. Effective July 7, 2000, we acquired Summit Autonomous Inc. for a total purchase price of $948.0 million, which resulted in goodwill and intangible assets of $954.5 million. Effective January 1, 2002, Alcon adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually. See note 3 to the consolidated financial statements. In the absence of new acquisitions, annual amortization expense on intangible assets with definite useful lives at December 31, 2002 is estimated to decrease from $74.5 million in 2002 to $51.4 million in 2007.

In connection with the IPO, Alcon changed certain provisions of its 1994 Phantom Stock Plan. These changes resulted in a one time $22.6 million charge to operating income during the first quarter of 2002.

Results of Operations

The following table sets forth, for the periods indicated, selected items from our consolidated financial statements.

	2002	2001	2000	As a % of Sales 2002	2001	2000
(in millions, except percentages)						
United States	$ 1,632.6	$ 1,464.6	$ 1,333.4	54.3%	53.3%	52.2%
International	1,376.5	1,283.1	1,220.2	45.7	46.7	47.8
Total sales	3,009.1	2,747.7	2,553.6	100.0	100.0	100.0
Costs of goods sold	892.7	798.3	749.7	29.7	29.1	29.4
Gross profit	2,116.4	1,949.4	1,803.9	70.3	70.9	70.6
Selling, general and administrative	1,014.7	953.7	855.8	33.7	34.7	33.5
Research and development	323.5	289.8	246.3	10.7	10.5	9.6
In process research and development	—	—	18.5	—	—	0.7
Amortization of intangibles	74.5	117.0	86.5	2.5	4.3	3.4
Operating income	703.7	588.9	596.8	23.4	21.4	23.4
Gain (loss) from foreign currency, net	4.2	(4.8)	0.1	0.1	(0.2)	—
Interest income	22.2	46.6	44.1	0.8	1.7	1.7
Interest expense	(53.8)	(107.7)	(86.3)	(1.8)	(3.9)	(3.4)
Other, net	1.2	(9.1)	—	—	(0.3)	—
Earnings before income taxes	677.5	513.9	554.7	22.5	18.7	21.7
Income taxes	210.6	198.3	223.0	7.0	7.2	8.7
Net earnings	$ 466.9	$ 315.6	$ 331.7	15.5%	11.5%	13.0%

The following table sets forth, for the periods indicated, our sales and operating profit by business segment.

	2002	2001	2000	As a % of Sales 2002	2001	2000
(in millions, except percentages)						
Alcon United States:						
Pharmaceutical	$ 707.7	$ 582.9	$ 513.9	43.3%	39.8%	38.5
Surgical	678.3	639.7	589.2	41.6	43.7	44.2
Contact lens care and other vision care	246.6	242.0	230.3	15.1	16.5	17.3
Total sales	$ 1,632.6	$ 1,464.6	$ 1,333.4	100.0%	100.0%	100.0
Segment operating income[1]	$ 675.3	$ 544.7	$ 527.7	41.4%	37.2%	39.0
Alcon International:						
Pharmaceutical	$ 381.8	$ 344.9	$ 322.3	27.7%	26.9%	26.4
Surgical	760.2	718.0	674.7	55.2	55.9	55.3
Contact lens care and other vision care	234.5	220.2	223.2	17.1	17.2	18.3
Total sales	$ 1,376.5	$ 1,283.1	$ 1,220.2	100.0%	100.0%	100.0
Segment operating income[1]	$ 428.1	$ 405.9	$ 384.4	31.1%	31.6%	31.5

(1) Beginning in 2002, segment performance is measured based on sales and operating income reported in accordance with generally accepted accounting principles in the United States (U.S. GAAP). Prior to 2002, Alcon measured performance on the basis of International Accounting Standards. For consistency of presentation, business segment information for 2001 and 2000 has been restated on a U.S. GAAP basis. Certain manufacturing costs and manufacturing variances are not assigned to business segments because most manufacturing operations produce products for more than one business segment. Research and development costs, excluding regulatory costs which are included in the business segments, are treated as general corporate costs and are not assigned to business segments.

The following table sets forth, for the periods indicated, Alcon International's sales and our consolidated sales by product category, and includes the change in sales and

change in sales in constant currency calculated by applying rates from the earlier period. All of Alcon United States' sales are in U.S. dollars, and therefore it does not experience any currency translation gains or losses.

(in millions, except percentages)	2002	2001	Change	Change in Constant Currency[a]	2001	2000	Change	Change in Constant Currency[a]
Alcon International:								
Pharmaceutical	**$ 381.8**	$ 344.9	10.7%	13.7%	$ 344.9	$ 322.3	7.0%	13.5%
Surgical	**760.2**	718.0	5.9	5.6	718.0	674.7	6.4	14.2
Contact lens care and other vision care	**234.5**	220.2	6.5	8.7	220.2	223.2	(1.3)	6.3
Total sales	**$ 1,376.5**	$ 1,283.1	7.3	8.3	$ 1,283.1	$ 1,220.2	5.2	12.5
Total:								
Pharmaceutical	**$ 1,089.5**	$ 927.8	17.4	18.6	$ 927.8	$ 836.2	11.0	13.5
Surgical	**1,438.5**	1,357.7	6.0	5.8	1,357.7	1,263.9	7.4	11.6
Contact lens care and other vision care	**481.1**	462.2	4.1	5.1	462.2	453.5	1.9	5.7
Total sales	**$ 3,009.1**	$ 2,747.7	9.5%	10.0%	$ 2,747.7	$ 2,553.6	7.6%	11.1%

(a) Currency effect is determined by comparing adjusted 2002 reported amounts, calculated using 2001 monthly average exchange rates, to the actual 2001 reported amounts. The same process was used to compare 2001 to 2000. Sales change in constant currency is not a U.S. GAAP defined measure of revenue growth. This measure provides information on sales growth assuming that foreign currency exchange rates have not changed between years. Sales change in constant currency, as defined and presented by the Company, may not be comparable to similar measures reported by other companies.

Year ended December 31, 2002 compared to year ended December 31, 2001

Sales

Global: Global sales increased 9.5% to $3,009.1 million in 2002 from $2,747.7 million in 2001. Sales growth, in terms of constant currency, was slightly higher at 10.0%. The negative impact of foreign currency fluctuations on sales growth was mostly confined to Latin American countries and Japan.

Global sales growth was led by the performance of our pharmaceutical business which delivered $1,089.5 million in revenue for 2002, an increase of 17.4% (18.6% in constant currency) over 2001. *TRAVATAN,*® our newest entrant into the glaucoma market, generated $70.9 million in global sales in 2002 compared to $15.8 million in 2001. The settlement of all pending patent and trademark litigation over *TRAVATAN*® with Pharmacia Corporation during the fourth quarter of 2002 assured Alcon's continued right to sell the product globally without restriction. Our major allergy product, *Patanol,*® had an outstanding year and generated sales of $198.3 million in 2002, a 28.3% (29.0% in constant currency) increase over 2001 sales of $154.5 million. 2002 sales of our other key branded pharmaceutical products *Tobradex,*® *Ciloxan*® and *Cipro*® *HC* increased by 10.9%, 19.8% and 41.1%, respectively, over 2001.

Global sales of our surgical business grew 6.0% during 2002 to $1,438.5 million from $1,357.7 million in 2001. The growth was primarily attributable to cataract and vitrectomy products, which include intraocular lenses, surgical equipment, devices and disposable products. Sales of products in our refractive product line declined by $16.0 million, in line with the trend of the industry in 2002, and reflected a slowdown in global economic activity that diminished both consumer confidence and demand for elective laser corrective surgery. Excluding the refractive line, sales for our surgical business increased 7.6% to $1,377.9 million from $1,281.1 million. We initiated a voluntary recall and termination of our *SKBM*® microkeratome product line during the fourth quarter of 2002 due to a small number of complaints that the applanation glass on the head of the handpiece could loosen or become misaligned. *SKBM*® microkeratome sales in 2002 were approximately $3 million.

Our global consumer eye care business, which consists of contact lens care and other general eye care products, grew 4.1% (5.1% in constant currency) to $481.1 million in 2002 from $462.2 million in 2001. Sales of *OPTI-FREE®* disinfectants accounted for over 50% of the consumer line, or $264.5 million, and grew 5.4% over 2001 sales of $250.9 million.

United States: Sales in the United States increased 11.5% to $1,632.6 million in 2002 from $1,464.6 million in 2001. Sales in our pharmaceutical business were consistent with the global trend and were primarily responsible for the growth in U.S. sales, with 2002 sales of $707.7 million, representing a 21.4% increase over 2001 sales of $582.9 million. Sales of *TRAVATAN,®* which was launched in the U.S. for glaucoma treatment in 2001, increased to $44.5 million in 2002 from $13.4 million in 2001. Strong double-digit growth rates in U.S. sales were achieved for key therapeutic market segments by our branded products *Patanol®* at 29.2%, *Ciloxan®* at 21.3%, *Tobradex®* at 12.0% and *Cipro® HC* at 42.8%. Late in 2002, we filed a New Drug Application with the United States Food and Drug Administration (FDA) for the ophthalmic use of moxifloxacin, a fourth-generation fluoroquinolone antibiotic that we believe will be a significant advance in the topical treatment and prevention of ocular infections.

Sales in our U.S. surgical business totaled $678.3 million in 2002, a 6.0% gain over prior year sales of $639.7 million. Sales from our line of cataract and vitrectomy products increased 9.2% to $641.1 million in 2002 from $587.3 million in 2001, but were offset by a decline of 29.0% in the refractive line to $37.2 million in 2002 from $52.4 million in 2001. We were pleased to receive FDA approval in late 2002 for our new *LADARWave™* technology for customized wavefront-guided laser eye surgery in the treatment of myopia. Our consumer eye care business achieved modest growth of 1.9% in 2002 to $246.6 million from $242.0 million in 2001. Within the contact lens care line, sales related to our *OPTI-FREE®* disinfectant franchise increased 2.9% in 2002 to $143.0 million from $139.0 million in 2001 in a slow growing market segment. Following FDA approval, we commenced shipping *OPTI-FREE® EXPRESS® No Rub™* multipurpose disinfecting solution during the fourth quarter of 2002 with our new "Lasting Comfort" claim.

International: Sales outside the United States increased 7.3% (8.3% in constant currency) to $1,376.5 million in 2002 from $1,283.1 million in 2001. The market economies of Brazil and Argentina were largely accountable for the negative impact of currency exchange on sales growth. Sales growth in Japan, our second largest global market, lagged behind 2001 due to a weak yen and downward pricing pressures inflicted by reimbursement reductions and new generic competition against our *BSS Plus®* surgical irrigating solution. The euro and other major currencies strengthened against the U.S. dollar over the course of the year.

Sales for our pharmaceutical business outside the United States in 2002 increased to $381.8 million from $344.9 million in 2001, registering growth of 10.7% (13.7% in constant currency). *TRAVATAN®* was successfully launched in several major European markets in 20 and recorded sales in more than 50 countries outside th United States. *Tobradex®* and *Ciloxan®* also made significant contributions to the pharmaceutical business total $55.5 million in 2002 sales. Sales of our international su gical business increased 5.9% (5.6% in constant curren in 2002 to $760.2 million in 2002 from $718.0 million in 2001 with broad based growth across our line of catara and vitrectomy products. Sales from our refractive business were also subject to difficult global economic cond tions and declined 3.3% (3.7% in constant currency) in 2002 to $23.4 million from $24.2 million in 2001. Howe in December 2002, the first international sale of our ne *LADARWave™* custom ablation system was recorded in Australia. Sales for our consumer eye care business ou side the United States advanced 6.5% (8.7% in consta currency) to $234.5 million in 2002 from $220.2 million 2001. Our *OPTI-FREE®* disinfectant franchise grew 8.6 (9.4% in constant currency) to $121.5 million in 2002 fr $111.9 million in 2001.

Gross Profit

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Gross Profit

Gross profit increased 8.6% to $2,116.4 million in the year ended December 31, 2002 from $1,949.4 million in 2001. However, gross profit as a percent of sales decreased to 70.3% in the year ended December 31, 2002 from 70.9% in 2001. Some of this decrease was due to charges of $2.5 million in 2002 related to changes made to an employee deferred compensation plan (see note 1 to the consolidated financial statements) and costs associated with the write-off of *SKBM®* microkeratome inventory and related manufacturing equipment of $5.9 million, as well as negative currency effects and variations in product mix. The impact of these particular charges and costs reduced gross profit as a percent of sales for the year ended December 31, 2002 by 0.3 percentage points.

Operating Expenses

Selling, general and administrative expenses increased 6.4% to $1,014.7 million in the year ended December 31, 2002 from $953.7 million in 2001. This increase in expenses included charges of $9.3 million in 2002 related to changes made to an employee deferred compensation plan and $14.1 million of customer refunds and other costs associated with the decision to recall and terminate the *SKBM®* microkeratome product line. Selling, general and administrative expenses decreased as a percent of sales to 33.7% in the year ended December 31, 2002 from 34.7% in 2001. This percentage decrease is primarily due to overall attention to cost control, as well as lower direct-to-consumer advertising in 2002 as compared to 2001 and reduction of legal expenses as certain intellectual property dispute cases were settled in 2002.

Research and development expenses increased 11.6% to $323.5 million in the year ended December 31, 2002 from $289.8 million in 2001. This increase in research and development expenses represents a continued investment across pharmaceutical and surgical products and charges of $4.8 million incurred in 2002 related to changes made to an employee deferred compensation plan. Research and development expenses increased slightly as a percent of sales to 10.7% in the year ended December 31, 2002 from 10.5% in 2001.

Amortization of intangibles decreased 36.3% to $74.5 million in the year ended December 31, 2002 from $117.0 million in 2001. The decrease is primarily due to the implementation of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," as discussed in note 3 to the consolidated financial statements. In connection with the voluntary recall and termination of the *SKBM®* microkeratome product line in the fourth quarter of 2002, a $5.9 million impairment loss on intangible assets was recorded as amortization.

Operating Income

Operating income increased 19.5% to $703.7 million in the year ended December 31, 2002 from $588.9 million in 2001. Operating income was negatively impacted by charges of $16.6 million in 2002 related to changes made to an employee deferred compensation plan and $25.9 million of *SKBM®* microkeratome recall and termination costs. Compared to 2001, operating income was favorably impacted by $42.5 million due to the change in accounting for goodwill and intangibles resulting from implementation of FASB Statement 142. The impact of these items on operating income was a decrease of $42.5 million in 2002 and $42.5 million in 2001.

Alcon United States business segment operating income increased 24.0% to $675.3 million in the year ended December 31, 2002 from $544.7 million in 2001. Operating income was favorably impacted by $20.7 million due to the change in accounting for goodwill and intangibles resulting from implementation of FASB Statement 142. In addition, gross margin improvements and reduced selling, general and administrative spending were partially offset by $12.6 million of costs associated with the decision to recall and terminate the *SKBM®* microkeratome.

Alcon International business segment operating income increased 5.5% to $428.1 million in the year ended December 31, 2002 from $405.9 million in 2001. Operating income was favorably impacted by $21.8 million due to the change in accounting for goodwill and intangibles resulting from implementation of FASB Statement 142. This favorability was offset by one time costs of $13.3 million related to the decision to recall and terminate the *SKBM*® microkeratome. Gross margins as a percentage of sales were negatively impacted due to the geographical sales mix and the difficult economic conditions in Latin America. Changes in exchange rates also negatively affected International business segment results.

Operating income for the Alcon United States and Alcon International business segments does not include: (1) certain manufacturing costs (e.g., manufacturing operation period costs and manufacturing variances); (2) all research and development costs other than regulatory costs; and (3) certain other general corporate expenses. Operating income for these two business segments is determined in accordance with U.S. GAAP. Prior to 2002, Alcon measured performance on the basis of International Accounting Standards. For consistency of presentation, business segment information for 2001 has been restated on a U.S. GAAP basis.

Interest and Other Expenses

Interest income decreased 52.4% to $22.2 million in the year ended December 31, 2002 from $46.6 million in 2001, as a result of lower short term interest rates in 2002 and a lower average investment balance. Interest expense decreased 50.0% to $53.8 million in the year ended December 31, 2002 from $107.7 million in 2001, as a result of lower short term interest rates and lower average borrowings.

Because the proceeds from the March 2002 IPO of Alcon common shares were not used to redeem the Alcon preferred shares held by Nestlé until May 29, 2002, they were used to reduce short term borrowings and to make short term investments during that period. If the preferred share redemption had occurred at the time of the IPO, management estimates that interest expense, net of interest income, would have been approximately $9.5 million more than actually incurred.

Other, net, for the year ended December 31, 2002 reflected a $1.2 million gain on the sale of a marketable equity investment acquired as a result of the Summit acquisition. An impairment loss of $9.1 million was recorded in 2001 on this investment.

Income Tax Expense

Income tax expense increased 6.2% to $210.6 million in the year ended December 31, 2002 from $198.3 million in 2001, mainly due to higher earnings. The effective tax rate decreased to 31.1% in the year ended December 31, 2002 from 38.6% in 2001 mainly due to a larger portion of our earnings relating to jurisdictions with lower tax rates than in 2001, tax settlements and the impact of implementing FASB Statement 142.

Net Earnings

Net earnings increased 47.9% to $466.9 million in the year ended December 31, 2002 from $315.6 million in 2001. Excluding the impact of certain expenses for:

- changes to an employee deferred compensation plan of $10.4 million, net of income taxes, SKBM® microkeratome recall and termination costs of $17.9 million, net of income taxes, and the estimated impact of the IPO proceeds on net interest expense of $6.5 million, net of income taxes in 2002, and

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proforma net earnings increased 35.0% to $488.7 million for the year ended December 31, 2002 from $361.9 million in 2001.

Actual to Proforma Reconciliation

(in millions)	2002	2001
Net earnings, as reported	$ 466.9	$ 315.6
Certain expenses:		
2002 expense for changes to employee deferred compensation plan	16.6	—
2002 estimated impact of IPO proceeds on net interest expense	(9.5)	—
2002 expense for *SKBM*® recall and termination	25.9	—
2001 impairment loss on a marketable equity investment	—	9.1
Add back 2001 goodwill amortization for 2002 change in accounting method under FASB Statement 142	—	42.5
Income tax effects of above items	(11.2)	(5.3)
Proforma net earnings	$ 488.7	$ 361.9

Year ended December 31, 2001 compared to year ended December 31, 2000

Sales

Global: Sales increased 7.6% to $2,747.7 million in the year ended December 31, 2001 from $2,553.6 million in 2000, mainly due to a weighted growth of 9.2% in unit volume (excluding the Summit acquisition) and offset in part by a 3.5% negative currency impact due to the strength of the U.S. dollar compared to most major currencies. The Summit acquisition contributed 1.6 percentage points of the 2001 growth. At a constant exchange rate and excluding the impact of the Summit acquisition, sales increased by 9.5% during this period. Our pharmaceutical sales during this period experienced growth of 11.0%, driven by increased sales of our key pharmaceutical products and the launch of *TRAVATAN*.® Sales of surgical products and contact lens care and other vision care products grew 7.4% and 1.9%, respectively, during the period. Our surgical sales for the year ended December 31, 2001 included twelve months of sales of refractive products and related fees while our surgical sales for 2000 only included sales of refractive products from July 7, 2000 to December 31, 2000, as a result of the Summit acquisition.

United States: Sales by Alcon United States increased 9.8% to $1,464.6 million in the year ended December 31, 2001 from $1,333.4 million in 2000, principally from increases in unit volume (excluding the Summit acquisition) and a 2.4% increase in sales as a result of the Summit acquisition. Pharmaceutical sales by Alcon United States increased 13.4% to $582.9 million in the year ended December 31, 2001 to $513.9 million in 2000, with strong performance across major products, including *TobraDex*,® *Patanol*,® *Ciloxan*® and *Cipro*® HC Otic, and the launch of *TRAVATAN*.® Surgical product sales by Alcon United States rose 8.6% to $639.7 million in the year ended December 31, 2001 from $589.2 million in 2000, mainly due to the Summit acquisition, but partially offset by weaker refractive sales during the second half of 2001, and growth of 3.4% in sales of cataract and vitreoretinal products, mostly arising from increases in market share. Contact lens care and other vision care product sales by Alcon United States increased 5.1% to $242.0 million in the year ended December 31, 2001 from $230.3 million in 2000. Most of this growth in contact lens care product sales resulted from market share gains by *OPTI-FREE*® *EXPRESS*® *NoRub*,™ partially offset by declines in sales of our daily and enzymatic contact lens care products.

International: Sales by Alcon International increased 5.2% to $1,283.1 million in the year ended December 31, 2001 from $1,220.2 million in 2000, mainly due to a strong increase in unit volumes (excluding the Summit acquisition) that was largely offset by a 7.4% decline due to negative currency fluctuations from the strengthening of the U.S. dollar against most major currencies. At a constant exchange rate and excluding the Summit acquisition, sales outside of the United States increased 11.8%, driven largely by growth across all major European countries, Canada, Taiwan and Brazil in addition to developing countries in Eastern Europe and Asia. Pharmaceutical sales by Alcon International increased 7.0% (or 13.5% excluding the impact of currency fluctuations) to $344.9 million in the year ended December 31, 2001 from $322.3 million in 2000, mainly due to the registration and launch of *Azopt*® in additional countries and to a lesser extent due to growth in sales of *TobraDex*.® Surgical product sales by Alcon International increased 6.4% (or 14.2% excluding the impact of currency fluctuations) to $718.0 million in the year ended December 31, 2001 from $674.7 million in 2000 as a result of increases in sales of cataract products, particularly *AcrySof*® single-piece intraocular lenses, *Custom Paks*® and viscoelastics, which are viscous liquids used to maintain the shape of the eye during surgery, and vitreoretinal products, together with additional sales associated with our acquisition of Summit, which accounted for almost half of the growth. Contact lens care and other vision care products sales by Alcon International declined 1.3% (but would have risen 6.3% on a constant currency basis) to $220.2 million in the year ended December 31, 2001 from $223.2 million in 2000 reflecting negative currency fluctuations, which were largely offset by increased sales of *OPTI-FREE*® multi-purpose disinfecting solution in Japan. In most markets outside of Japan, the contact lens care market declined as consumers continued to convert to frequent replacement lenses and one-step multi-purpose disinfecting solutions, which sharply reduced sales of enzymatic and other daily cleaners.

Gross Profit

Gross profit increased 8.1% to $1,949.4 million in the year ended December 31, 2001 from $1,803.9 million in 2000, resulting in an increase in gross profit as a percentage of sales to 70.9% in the year ended December 31, 2001 from 70.6% in 2000. This increase in gross margin was due mainly to strong sales of our pharmaceutical products and intraocular lenses and lower average manufacturing costs per unit, which offset the negative currency impact of the strengthening of the U.S. dollar during the last three quarters of 2001.

Operating Expenses

Selling, general and administrative expenses increased 11.4% to $953.7 million in the year ended December 31, 2001 from $855.8 million in 2000. This increase was due mainly to an increase in the size of our sales force, principally in the second half of 2001, in connection with the launch of *TRAVATAN*® and other expenses related to this launch and more frequent use of direct-to-consumer advertising campaigns. Research and development expenses increased 17.7% to $289.8 million in the year ended December 31, 2001 from $246.3 million in 2000, excluding our write-off of in-process research and development of $18.5 million in 2000 as a result of the Summit acquisition. This increase represented continued investment across all major therapeutic areas. Amortization of intangible assets increased 35.3% to $117.0 million in the year ended December 31, 2001 from $86.5 million in 2000. Amortization of intangible assets arising as a result of the acquisition of Summit (totaling approximately $72.0 million in 2001 and $36.0 million in 2000) is primarily responsible for this increase.

Operating Income

Operating income decreased 1.3% to $588.9 million in the year ended December 31, 2001 from $596.8 million in 2000 and decreased as a percentage of sales to 21.4% from 23.4% mainly due to increased selling expenses, research and development expenses and amortization.

Alcon United States business segment operating income increased 3.2% to $544.7 million in the year ended December 31, 2001 from $527.7 million in 2000. This increase was due mainly to improved gross margins and control of general and administrative expenses, which were partially offset by additional amortization expenses associated with the Summit acquisition, an increase in the size of our sales force and higher marketing expenditures.

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Alcon International business segment operating income increased 5.6% to $405.9 million in the year ended December 31, 2001 from $384.4 million in 2000, reflecting higher gross margins and improved cost controls.

Operating income for the Alcon United States and Alcon International business segments does not include: (1) certain manufacturing costs (e.g., manufacturing operation period costs and manufacturing variances); (2) all research and development costs other than regulatory costs; and (3) certain other general corporate expenses. Operating income for these two business segments is determined in accordance with U.S. GAAP. Prior to 2002, Alcon measured performance on the basis of International Accounting Standards. For consistency of presentation, business segment information for 2001 and 2000 has been restated on a U.S. GAAP basis.

Interest and Other Expenses

Interest income increased 5.7% to $46.6 million in the year ended December 31, 2001 from $44.1 million in 2000, due to higher levels of short term investments. Interest expense increased 24.8% to $107.7 million in the year ended December 31, 2001 from $86.3 million in 2000, mainly due to increased expense (totaling approximately $60.0 million in 2001 and $33.0 million in 2000) arising from higher borrowings used to finance the Summit acquisition. The foreign currency impact decreased to a $4.8 million loss in the year ended December 31, 2001 from a $0.1 million gain in 2000. Other, net for the year ended December 31, 2001 included a $9.1 million impairment loss on a marketable equity investment acquired as a result of the acquisition of Summit.

Income Tax Expense

Income taxes declined 11.1% to $198.3 million in the year ended December 31, 2001 from $223.0 million in 2000 as a result of the taxation of a larger portion of our earnings in jurisdictions with lower tax rates, thereby reducing our effective tax rate to 38.6% during 2001 from 40.2% during 2000.

Net Earnings

Net earnings decreased 4.9% to $315.6 million in the year ended December 31, 2001 from $331.7 million in 2000. Excluding the impact of interest and amortization expense related to the acquisition of Summit, net of taxes, proforma net earnings would have increased by 7.7% in 2001 from 2000.

Actual to Proforma Reconciliation

(in millions, except percentages)	2001	2000	2001 Percent Increase (Decrease)
Net earnings, as reported	$ 315.6	$ 331.7	(4.9)%
Summit acquisition interest	60.0	33.0	
Summit acquisition amortization	72.0	36.0	
Income tax effects of above items	(36.5)	(19.0)	
Proforma net earnings	$ 411.1	$ 381.7	7.7%

Sales by Quarter

The following table sets forth our sales by quarter since 2000.

(in millions)	2002	2001 (Unaudited)	2000 (Unaudited)
First	$ 707	$ 655	$ 610
Second	809	746	699
Third	744	676	608
Fourth	749	671	637
Total	$ 3,009	$ 2,748	$ 2,554

Our quarterly sales trends reflect seasonality in several products, including ocular allergy products and *Cipro*® HC Otic, in the form of increased sales during the spring months, which occur during the second quarter in the northern hemisphere. The sales increase during the fourth quarter of 2002 compared to third quarter was driven by a strong performance in our International business, primarily in the surgical product line. Sales of selected products increased in the second quarter of 2000 due to promotional activities, which resulted in increased wholesaler inventory levels and decreased wholesaler purchases of these products in the third quarter of 2000. In the fourth quarter of 2000, we experienced an increase in wholesaler inventory levels, which we believe was due to expected price increases in 2001.

Liquidity and Capital Resources

Cash and Investment Availability

At December 31, 2002, we had approximately $1.034 billion in cash and cash equivalents and investments, a $168 million decrease from December 31, 2001. This decrease reflects uses of cash for financing activities of $752.7 million and investing activities of $126.9 million in excess of cash provided by operations of $701.4 million during 2002.

IPO—Related Activities

The Company sold Alcon Germany to Nestlé's German subsidiary effective January 1, 2001 for approximately $30 million, and, under the separation agreement, Nestlé's German subsidiary sold it back to us effective January 1, 2002, for approximately $42 million. Alcon Germany's results of operations have been consolidated by the Company and are reflected in all periods presented in the accompanying consolidated financial statements.

On March 20, 2002, Alcon made a payment to Nestlé of $1,243.4 million for dividends and return of capital. This payment was financed from existing cash and cash equivalents and additional short term debt. The entire payment was considered a dividend under Swiss law.

In February 2002, prior to the IPO, Nestlé converted 69,750,000 Alcon common shares into 69,750,000 Alcon non-voting preferred shares. On March 21, 2002, holders of Alcon common shares voted to redeem the preferred shares for an aggregate redemption price of CHF 3.634 billion. The proceeds, net of related costs including taxes, from the IPO were used to redeem the preferred shares for $2,188.0 million on May 29, 2002. No dividends were paid on the preferred shares.

If the conversion of 69,750,000 Alcon common shares into Alcon preferred shares on February 25, 2002 had been delayed until the date of the IPO, earnings per share and the weighted average common shares for the year ended December 31, 2002 would have been less than reported:

	Proforma	As Reported
Basic earnings per common share	$ 1.51	$ 1.54
Diluted earnings per common share	$ 1.51	$ 1.53
Basic weighted average common shares	305,878,040	301,482,834
Diluted weighted average common shares	306,906,985	302,511,780

On March 20, 2002, Alcon's IPO was priced at $33.00 per share for 69,750,000 common shares. The net proceeds to Alcon from the IPO were $2,189.0 million, after offering expenses and taxes, and were used to redeem the preferred shares on May 29, 2002.

Net proceeds of $219.1 million, after offering expenses and taxes from the subsequent exercise of the underwriters' over-allotment option to purchase 6,975,000 common shares were used to reduce short term indebtedness.

Preferred Shares of Subsidiary

In May of 2000 Alcon Holdings, Inc. (AHI), a wholly owned subsidiary of Alcon, issued four series of non-voting, nonconvertible cumulative preferred shares, with Series A, B and C denominated in Swiss francs and Series D denominated in U.S. dollars. These shares were issued as part of the creation of a U.S. holding company that would be used to make U.S. acquisitions.

As part of a restructuring of AHI's equity, on November 5, 2002 Alcon sold to two financial investors all of the AHI Series A and B preferred shares, 20,000 preferred shares, for a total sales price of 1.997 billion Swiss francs. Alcon also contributed to AHI, as capital in kind, all of the Series C and D preferred shares it owned. After the sale, Alcon continued to own 100% of AHI's common shares and all voting rights in AHI.

On November 26, 2002, AHI redeemed all of its outstanding Series A and B preferred shares. AHI paid the investors an aggregate of 2,003 million Swiss francs for the 20,000

Alcon common shares into
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shares for the year ended
e been less than reported:

	Proforma	As Reported
	$ 1.51	$ 1.54
	$ 1.51	$ 1.53
	305,878,040	301,482,834
s	306,906,985	302,511,780

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shares. The net proceeds
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s, Inc. (AHI), a wholly owned
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AHI's equity, on November 5,
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preferred shares, which were immediately retired, and accrued dividends. AHI financed the redemption primarily with proceeds from the issuance of commercial paper.

For the year ended December 31, 2002, earnings available to common shareholders and earnings per share were reduced by the preferred dividends and the excess of the redemption cost over the carrying value of the preferred shares, totaling approximately $3.9 million.

Other Financing Activities

In 2002, the Board of Directors approved the purchase of up to 2,000,000 Alcon shares to satisfy the exercise of stock options granted to employees. During 2002, Alcon purchased 193,500 treasury shares on the market for $7.9 million.

The payment of dividends is subject to the availability of retained earnings or dividendable reserves under Swiss law, the proposal by our Board of Directors, and ultimately the approval of our shareholders. Future dividend payments will depend on various factors, including our net earnings, financial condition, cash requirements, future prospects and other factors deemed relevant by our Board of Directors in their proposal for approval to the shareholders. Subject to these limitations, we expect to declare a dividend based on 2002 operations of CHF 0.45 per common share, or approximately $0.33 per common share, totaling approximately $102 million depending on exchange rates. We anticipate that the dividend, if it is approved by the shareholders on May 20, 2003, will be paid on or about June 4, 2003.

Investing Activities

Net cash used in investing activities in the year ended December 31, 2002 was $126.9 million, including $120.9 million of capital expenditures related to improvements in our manufacturing facilities and other infrastructure. During this period, we also acquired intangible assets at a cost of $2.8 million. Our annual capital expenditures over the last three years were $120.9 million in 2002, $127.4 million in 2001 and $117.1 million in 2000, principally to expand and upgrade our manufacturing facilities.

In 2002 Alcon commenced construction of a $58 million expansion of its research and development facilities in Fort Worth, Texas, which is planned to continue through 2003. The company also began a three-year expansion of its intraocular lens manufacturing facility in Huntington, West Virginia. Additional expenditures were made to upgrade and add capacity to other manufacturing facilities including those in Puurs, Belgium, Kaysersberg, France and Houston, Texas. We had capital expenditure commitments of $20.0 million at December 31, 2002, to expand and upgrade our manufacturing facilities and other infrastructure. We expect to fund these capital projects through operating cash flow and, if necessary, short term borrowings.

Capital Resources

We expect to meet our current liquidity needs, including the approximately CHF 139 million (or approximately $102 million) anticipated dividend payment, principally through cash and cash equivalents, the liquidation of short term investments and, to the extent necessary, short term borrowings. We expect to meet future liquidity requirements through our operating cash flows and through sales of commercial paper under the facility described below, the combination of which we believe would be sufficient even if our sales were adversely impacted.

Credit and Commercial Paper Facilities

As of December 31, 2002, Alcon and its subsidiaries had credit and commercial paper facilities of approximately $2.8 billion available worldwide, including a $2.0 billion commercial paper facility. As of December 31, 2002, $1,377.4 million of the commercial paper was outstanding at an average interest rate of 1.34% before fees. Related to this short term, floating interest rate borrowing, we have entered two $25.0 million interest rate swaps which have a net effect of fixing the interest rate of a portion of the outstanding amount at an average rate of 2.77%, which is based on a two year rate at the time of initiation of the hedge. Nestlé guarantees the commercial paper facility and assists in its management, for which we pay Nestlé an annual fee based on the average outstanding commercial paper balances. In addition, we pay Nestlé a fee for serving as a guarantor on Japanese yen 5.0 billion ($42.0 million) of bonds maturing in 2011 arranged by ABN AMRO for our subsidiary in Japan. Nestlé's guarantees permit Alcon to obtain more favorable interest rates, based upon Nestlé's credit rating, than might otherwise be obtained. We believe that any fees paid by us to Nestlé for their guarantee of any indebtedness or for the management of the commercial paper program are comparable to the fees that would be paid in an arm's length transaction. The bonds contain a provision that may terminate and accelerate the obligations in the event that Nestlé's ownership of Alcon falls below 51%.

Alcon and its subsidiaries also had available commitments of $279.7 million under unsecured revolving credit facilities with Nestlé and its affiliates; at December 31, 2002, $117.2 million was outstanding under these credit facilities. Alcon's subsidiaries had third-party lines of credit, including bank overdraft facilities, totaling approximately $503.9 million under which there was an aggregate outstanding balance of $278.2 million. These third-party credit facilities are arranged or provided by a number of international financial institutions, the most significant of which had the following aggregate limits: Citibank ($135.9 million); Mitsui-Sumitomo Bank ($71.4 million); Mizuho Bank ($63.0 million); and BBL ($42.4 million). The majority of the credit facilities with Nestlé and third parties are committed for less than one year and accrue interest at a rate consistent with local borrowing rates. In aggregate, these facilities had a weighted average interest rate of 5.0% at December 31, 2002.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations is based upon Alcon's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and costs, and related disclosures of contingent assets and liabilities. We base our estimates and judgments on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities, as well as identifying and assessing our accounting treatment with respect to commitments and contingencies. Actual results may differ from these estimates and judgments under different assumptions or conditions.

We believe that the following accounting policies involve the more significant estimates and judgments used in the preparation of our financial statements:

Sales Recognition: The Company recognizes sales in accordance with the United States Securities and Exchange Commission Staff Accounting Bulletin No. 101. Sales are recognized as the net amount to be received after deducting estimated amounts for product returns and rebates. Product returns are estimated based on historical trends and current market developments. Rebates are estimated based on historical analysis of trends and estimated compliance with contractual agreements. While we believe that our reserves for product returns and rebates are adequate, if the actual results are significantly different than the estimated costs, our sales may be over or under stated.

Inventory Reserves: The Company provides reserves on its inventories for estimated obsolescence or unmarketable inventory equal to the difference between the co[st] of inventory and the estimated fair market value based upon assumptions about future demand and market con[ditions]. If actual market conditions become less favorab[le] than those projected by management, additional invento[ry] reserves may be required.

Allowances for Doubtful Accounts: The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to ma[ke] required payments. Management regularly assesses the financial condition of the Company's customers and the markets in which these customers participate. If the financial condition of the Company's customers were to

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deteriorate, resulting in an impairment of their ability to make payments on our receivables from them, additional allowances may be required.

Impairment of Goodwill and Intangible Assets: Statement of Financial Accounting Standard No. 142, "Goodwill and Intangible Assets," requires us to assess the recoverability of goodwill, which represents the excess of purchase price over fair value of net assets acquired, annually and of intangible assets upon the occurrence of an event that might indicate conditions for an impairment could exist.

Factors we consider important that could trigger an impairment review for intangible assets include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner or extent of our use of the acquired assets or the strategy for our overall business;
- significant negative industry or economic trends; and
- significant decline in the market value of the intangible asset for a sustained period.

When we determine the carrying value of intangibles assets may not be recoverable from undiscounted cash flows based upon the existence of one or more of the above factors, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model.

Management has determined that the reporting units for its annual testing for impairment of goodwill are the operating business segments used for segment reporting. Management performs its testing using both multiples of quoted market prices to operating profits and present value techniques.

To the extent that our management determines that goodwill or intangible assets cannot be recovered, such goodwill or intangible assets are considered impaired and the impairment is treated as an expense incurred in the period in which it occurs.

Tax Liabilities: Our tax returns are subject to examination by taxing authorities in various jurisdictions. Management records current tax liabilities based on their best estimate of what they will ultimately agree upon with the taxing authorities in the relevant jurisdictions following the completion of their examination. Our management believes that the estimates reflected in the financial statements accurately reflect our tax liabilities. However, our actual tax liabilities may ultimately differ from those estimates if we were to prevail in matters for which accruals have been established or if taxing authorities successfully challenge the tax treatment upon which our management has based its estimates. Accordingly, our effective tax rate in a given financial statement period may materially change.

Litigation Liabilities: Alcon and its subsidiaries are parties to a variety of legal proceedings arising out of the ordinary course of business, including product liability and patent infringement litigation. By its nature, litigation is subject to many uncertainties. Management reviews litigation claims with counsel to assess the probable outcome of such claims. Management records current liabilities for litigation based on their best estimates of what Alcon will ultimately incur to pursue such matters to final legal decisions or to settle them. Our management believes that the estimates reflected in the financial statements properly reflect our litigation liabilities. However, our actual litigation liabilities may ultimately differ from those estimates if we are unsuccessful in our efforts to defend or settle the claims being asserted.

Pension and Other Employee Benefits: We must make certain assumptions in the calculation of the actuarial valuation of the Company sponsored defined benefit pension plans and postretirement benefits. These assumptions include the weighted average discount rates, rates of increase in compensation levels, expected long term rates of return on assets, and increases or trends in health care costs. If actual results are more or less favorable than those projected by management, future periods will reflect reduced or additional pension and postretirement medical expenses. See note 16 to the accompanying consolidated financial statements for additional information regarding assumptions used by the Company.

Market Risk

Interest Rate Risks

Because we have previously financed, and expect to continue to finance, our operations, in part, through loans, we are exposed to interest rate risks. At December 31, 2002, the majority of our loans were short term, floating-rate loans that will become more expensive when interest rates rise and less expensive when they fall. We have partly mitigated this risk by investing our cash, cash equivalents, and short term investments in floating rate investments. Alcon evaluates the use of interest rate swaps and periodically uses such agreements to manage its interest risk on selected debt instruments.

Credit Risks

In the normal course of our business, we incur credit risk because we extend trade credit to our customers. We believe that these credit risks are well diversified, and our internal staff actively manages these risks. Our principal concentrations of trade credit are generally with large and financially sound corporations, such as large retailers and grocery chains, drug wholesalers and governmental agencies. As part of our sales of surgical equipment, we frequently finance the purchase of our equipment and enter into leases and other financial transactions with our customers. In general, these loans and other transactions range in duration from one to five years and in principal amount range from $50,000 to $700,000. We conduct credit analysis on the customers we finance and secure the loans and leases with the purchased surgical equipment. Over the last 16 years, we have offered financing programs for cataract equipment with no significant losses. Our customer financing program for laser refractive surgical equipment has a shorter history, is of a larger size and has less credit strength and asset value for security. In countries that have a history of high inflation, such as Turkey, Brazil and Argentina, the credit risks to which we are exposed can be larger and less predictable.

We conduct some of our business through export operations and are exposed to country credit risk. This risk is mitigated by the use, where applicable, of letters of credit confirmed by large commercial banks in Switzerland and the United States.

Currency Risks

We are exposed to market risk from changes in currency exchange rates that could impact our results of operations and financial position. We manage our exposure to these currency risks through our regular operating and financing activities and, when appropriate, through the use of derivative financial instruments. We use derivative financial instruments as risk management tools and not for speculative purposes.

We use forward contracts to manage the volatility of non-functional currency cash flows resulting from changes in exchange rates. Currency exchange forward contracts are primarily used to hedge intercompany purchases and sales. The use of these derivative financial instruments allows us to reduce our overall exposure to exchange rate fluctuations, since the gains and losses on these contracts substantially offset losses and gains on the assets, liabilities and transactions being hedged.

While we hedge some non-U.S. dollar currency transactions, the decline in value of non-U.S. dollar currencies may, if not reversed, adversely affect our ability to contract for product sales in U.S. dollars because our products may become more expensive to purchase in U.S. dollars for local customers doing business in the countries of the affected currencies.

In-Process Research and Development

In connection with our acquisition of Summit, we immediately expensed $18.5 million of the Summit purchase price in the third quarter of 2000, representing amounts for in-process research and development, which we refer to as IPR&D, estimated at fair value. The expensed IPR&D represented the value of the *Custom Cornea®* project that had not yet reached technological or commercial feasibility and for which the assets to be used in such project had no alternative future use.

Custom Cornea® technology is designed to take advanced eye measurements from an aberrometer to determine the more subtle errors of the human visual optical system and combine this with the use of the *LADARVision®* 4000 laser and software, to define a customized pattern of ablations, which are removals of corneal tissue. At the acquisition date, costs to complete these research and development efforts were expected to be $1.3 million. The estimated stage of completion at acquisition was 85%.

In October 2002 the U.S. Food and Drug Administration (FDA) approved Alcon's customized wavefront-guided laser eye surgery that uses the *Custom Cornea®* technology. Initial shipments of our *LADARWave®* product, which allows the use of this technology in conjunction with Alcon's *LADARVision®* laser to perform custom ablation, began in the fourth quarter of 2002. Clinical trials are ongoing for the treatment of myopic astigmatism, hyperopia with and without astigmatism and other ocular irregularities.

We expect to fund all research and development efforts, including acquired IPR&D, from cash flows from operations.

New Accounting Standards

In June 2002, the Financial Accounting Standards Board (FASB) issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Statement 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This Statement supersedes earlier guidance issued by the Emerging Issues Task Force. Statement 146 also establishes that fair value is the objective for initial measurement of the liability. Statement 146 is effective for exit or disposal activities that are initiated after December 31, 2002. We do not expect the adoption of this Statement to have a material impact on results of operations or financial position.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." Interpretation 45 interprets FASB Statements No. 5, 57, and 107. Interpretation 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. This Interpretation does not prescribe a specific approach for subsequently measuring the guarantor's recognized liability over the term of the related guarantee. This Interpretation also incorporates, without change, the guidance in FASB Interpretation No. 34, "Disclosure of Indirect Guarantees of Indebtedness of Others," which is being superseded.

This Interpretation does not apply to certain guarantee contracts: residual value guarantees provided by lessees in capital leases, contingent rents, vendor rebates, and guarantees whose existence prevents the guarantor from recognizing a sale or the earnings from a sale. Furthermore, the provisions related to recognizing a liability at inception for the fair value of the guarantor's obligation do not apply to the following:

a. Product warranties;
b. Guarantees that are accounted for as derivatives;
c. Guarantees that represent contingent consideration in a business combination;
d. Guarantees for which the guarantor's obligations would be reported as an equity item (rather than a liability);
e. An original lessee's guarantee of lease payments when that lessee remains secondarily liable in conjunction with being relieved from being the primary obligor (that is, the principal debtor) under a lease restructuring;
f. Guarantees issued between either parents and their subsidiaries or corporations under common control; or
g. A parent's guarantee of a subsidiary's debt to a third party, and a subsidiary's guarantee of the debt owed to a third party by either its parent or another subsidiary of that parent.

However, the guarantees described in (a)-(g) above are subject to the disclosure requirements of this Interpretation.

The initial recognition and initial measurement provisions of Interpretation 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements in this Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The interpretive guidance incorporated without change from Interpretation 34 continues to be required for financial statements for fiscal years ending after June 15, 1981—the effective date of Interpretation 34. We do not expect the adoption of this Interpretation to have a material impact on our results of operations or financial position. The disclosure provisions were applied in the preparation of the accompanying consolidated financial statements.

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure." Statement 148 amends FASB Statement No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Alcon has elected to account for stock-based compensation using this intrinsic method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." As long as Alcon continues using Opinion 25, only the disclosure provisions of Statement 148 will apply to Alcon. The disclosure provisions were applied in the preparation of the accompanying consolidated financial statements.

During 2002, this Emerging Issues Task Force discussed EITF Issue 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables," and proposed changes to the abstract. The EITF generally addressed certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities.

In some arrangements, the different revenue-generating activities (deliverables) are sufficiently separable, and there exists sufficient evidence of their fair values to separately account for some or all of the deliverables (that is, there are separate units of accounting). In other arrangements, some or all of the deliverables are not independently functional, or there is not sufficient evidence of their fair values to account for them separately.

This Issue addresses when and, if so, how an arrangement involving multiple deliverables should be divided into separate units of accounting. This Issue does not change otherwise applicable revenue recognition criteria. However, this Issue does provide guidance with respect to the effect of certain customer rights due to vendor nonperformance on the recognition of revenue allocated to delivered units of accounting. This Issue also addresses the impact on the measurement and/or allocation of arrangement consideration of customer cancellation provisions and consideration that varies as a result of future actions of the customer or the vendor. Finally, this Issue provides guidance with respect to the recognition of the cost of certain deliverables that are excluded from the revenue accounting for an arrangement.

We do not expect that the final consensus on this Issue will have a material impact on our results of operations or financial position.

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To the Board of D

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/s/ KPMG LLP

Fort Worth, Texas
January 31, 2003

Report of Independent Auditors

To the Board of Directors and Shareholders of Alcon, Inc.

We have audited the accompanying consolidated balance sheets of Alcon, Inc. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of earnings, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alcon, Inc. and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 3 to the consolidated financial statements, effective January 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

/s/ KPMG LLP

Fort Worth, Texas
January 31, 2003

Consolidated
Balance Sheets

December 31, (in millions, except share data)	2002	2001
Assets		
Current assets:		
Cash and cash equivalents	$ 967.9	$ 1,140.5
Investments	66.3	61.9
Trade receivables, net	547.5	492.0
Inventories	412.3	379.5
Deferred income tax assets	128.7	128.8
Other current assets	88.2	48.5
Total current assets	2,210.9	2,251.2
Property, plant and equipment, net	679.1	643.8
Intangible assets, net	392.8	467.0
Goodwill	549.8	541.2
Long term deferred income tax assets	90.1	116.7
Other assets	47.1	50.9
Total assets	$ 3,969.8	$ 4,070.8
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 117.0	$ 108.6
Short term borrowings	1,772.8	805.5
Current maturities of long term debt	23.1	29.4
Other current liabilities	659.4	667.1
Total current liabilities	2,572.3	1,610.6
Long term debt, net of current maturities	80.8	697.4
Long term deferred income tax liabilities	85.8	104.0
Other long term liabilities	256.6	269.2
Contingencies (note 17)		
Shareholders' equity:		
Common shares, par value CHF 0.20 per share, 336,975,000 shares authorized, 309,231,699 shares issued and 309,032,167 shares outstanding at December 31, 2002; 300,000,000 shares authorized, issued and outstanding at December 31, 2001	42.5	42.9
Additional paid-in capital	508.5	592.0
Accumulated other comprehensive loss	(16.4)	(110.8)
Deferred compensation	(15.2)	—
Retained earnings	463.0	865.5
	982.4	1,389.6
Less treasury shares, at cost; 199,532 shares at December 31, 2002; and no shares at December 31, 2001	(8.1)	—
Total shareholders' equity	974.3	1,389.6
Total liabilities and shareholders' equity	$ 3,969.8	$ 4,070.8

See accompanying notes to consolidated financial statements.

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	42.9
	592.0
	(110.8)
	—
	865.5
	1,389.6
	—
	1,389.6
	$ 4,070.8

Consolidated Statements of Earnings

Years ended December 31, (in millions, except share data)	2002	2001	2000
Sales	$ 3,009.1	$ 2,747.7	$ 2,553.6
Cost of goods sold	892.7	798.3	749.7
Gross profit	2,116.4	1,949.4	1,803.9
Selling, general and administrative	1,014.7	953.7	855.8
Research and development	323.5	289.8	246.3
In process research and development	—	—	18.5
Amortization of intangibles	74.5	117.0	86.5
Operating income	703.7	588.9	596.8
Other income (expense):			
Gain (loss) from foreign currency, net	4.2	(4.8)	0.1
Interest income	22.2	46.6	44.1
Interest expense	(53.8)	(107.7)	(86.3)
Other	1.2	(9.1)	—
Earnings before income taxes	677.5	513.9	554.7
Income taxes	210.6	198.3	223.0
Net earnings	$ 466.9	$ 315.6	$ 331.7
Basic earnings per common share	$ 1.54	$ 1.05	$ 1.11
Diluted earnings per common share	$ 1.53	$ 1.05	$ 1.11
Basic weighted average common shares	301,482,834	300,000,000	300,000,000
Diluted weighted average common shares	302,511,780	300,000,000	300,000,000

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity and Comprehensive Income

(in millions, except share data)	Common stock: Number of shares outstanding	Common stock: Amount	Additional paid-in capital	Accumulated other comprehensive income (loss)	Deferred compensation	Retained earnings	Treasury shares	Total
Balance, January 1, 2000	300,000,000	$ 42.9	$ 592.0	$ (71.2)	$ —	$ 230.4	$ —	$ 794.1
Comprehensive income:								
Net earnings	—	—	—	—	—	331.7	—	331.7
Unrealized losses on investments	—	—	—	(7.0)	—	—	—	(7.0)
Foreign currency translation adjustments	—	—	—	(13.2)	—	—	—	(13.2)
Total comprehensive income								311.5
Dividends on common shares	—	—	—	—	—	(4.2)	—	(4.2)
Balance, December 31, 2000	300,000,000	42.9	592.0	(91.4)	—	557.9	—	1,101.4
Comprehensive income:								
Net earnings	—	—	—	—	—	315.6	—	315.6
Unrealized gains on investments	—	—	—	0.4	—	—	—	0.4
Impairment loss on investment	—	—	—	7.3	—	—	—	7.3
Foreign currency translation adjustments	—	—	—	(27.1)	—	—	—	(27.1)
Total comprehensive income								296.2
Dividends on common shares	—	—	—	—	—	(8.0)	—	(8.0)
Balance, December 31, 2001	300,000,000	42.9	592.0	(110.8)	—	865.5	—	1,389.6
Comprehensive income:								
Net earnings	—	—	—	—	—	466.9	—	466.9
Unrealized losses on investments	—	—	—	(1.6)	—	—	—	(1.6)
Unrealized losses on cash flow hedges	—	—	—	(5.8)	—	—	—	(5.8)
Foreign currency translation adjustments	—	—	—	101.8	—	—	—	101.8
Total comprehensive income								561.3
Conversion of common shares to preferred shares	(69,750,000)	(10.0)	(2,178.0)	—	—	—	—	(2,188.0)
Initial public offering	76,725,000	9.3	2,398.8	—	—	—	—	2,408.1
Options exercised	91,000	—	3.3	—	—	—	—	3.3
Treasury shares acquired	(199,532)	—	—	—	—	—	(8.1)	(8.1)
Conversion of employee plan	2,165,699	0.3	70.3	—	(37.3)	—	—	33.3
Compensation expense	—	—	—	—	22.1	—	—	22.1
Dividends and accretion of discount on preferred shares of subsidiary	—	—	—	—	—	(3.9)	—	(3.9)
Dividends on common shares	—	—	(377.9)	—	—	(865.5)	—	(1,243.4)
Balance, December 31, 2002	309,032,167	$ 42.5	$ 508.5	$ (16.4)	$ (15.2)	$ 463.0	$ (8.1)	$ 974.3

See accompanying notes to consolidated financial statements.

Treasury shares	Total
$ —	$ 794.1
—	331.7
—	(7.0)
—	(13.2)
	311.5
—	(4.2)
—	1,101.4
—	315.6
—	0.4
—	7.3
—	(27.1)
	296.2
—	(8.0)
—	1,389.6
—	466.9
—	(1.6)
—	(5.8)
—	101.8
	561.3
—	(2,188.0)
—	2,408.1
—	3.3
(8.1)	(8.1)
—	33.3
—	22.1
—	(3.9)
—	(1,243.4)
$ (8.1)	$ 974.3

Consolidated Statements of Cash Flows

Years ended December 31,	2002	2001	2000
(in millions)			
Cash provided by (used in) operating activities:			
Net earnings	$ 466.9	$ 315.6	$ 331.7
Adjustments to reconcile net earnings to cash provided from operating activities:			
Depreciation	92.0	78.3	74.2
Amortization of intangibles	74.5	117.0	86.5
Amortization of deferred compensation	22.1	—	—
Deferred income taxes	5.0	(2.4)	4.4
In process research and development	—	—	18.5
(Gain) loss on sale of assets	6.7	1.4	(1.5)
Changes in operating assets and liabilities:			
Trade receivables	(27.5)	(27.6)	(54.6)
Inventories	(3.3)	(57.4)	(31.2)
Other assets	28.6	31.0	(16.6)
Accounts payable and other current liabilities	26.1	58.0	(16.2)
Other long term liabilities	10.3	29.8	35.7
Net cash from operating activities	701.4	543.7	430.9
Cash provided by (used in) investing activities:			
Proceeds from sale of assets	1.5	4.2	107.9
Purchases of property, plant and equipment	(120.9)	(127.4)	(117.1)
Purchase of intangible assets	(2.8)	(10.9)	—
Net purchases of investments	(4.7)	(15.2)	(38.1)
Acquisitions, net of cash acquired	—	—	(863.0)
Net cash from investing activities	(126.9)	(149.3)	(910.3)
Cash provided by (used in) financing activities:			
Proceeds from issuance of long term debt	0.9	42.2	612.8
Net proceeds (repayment) from short term debt	951.4	(194.8)	307.3
Dividends on common shares	(1,243.4)	(8.0)	(4.2)
Repayment of long term debt	(630.4)	(37.7)	(32.9)
Proceeds from public sale of common shares	2,408.1	—	—
Redemption of preferred shares	(2,188.0)	—	—
Proceeds from sale of common stock to employees	3.3	—	—
Acquisition of treasury shares	(7.9)	—	—
Proceeds from sale of preferred shares of subsidiary	1,362.5	—	—
Redemption of preferred shares of subsidiary	(1,364.4)	—	—
Dividends on preferred shares of subsidiary	(2.0)	—	—
Other	(42.8)	42.8	—
Net cash from financing activities	(752.7)	(155.5)	883.0
Effect of exchange rates on cash and cash equivalents	5.6	(10.4)	(2.1)
Net increase (decrease) in cash and cash equivalents	(172.6)	228.5	401.5
Cash and cash equivalents, beginning of year	1,140.5	912.0	510.5
Cash and cash equivalents, end of year	$ 967.9	$ 1,140.5	$ 912.0
Supplemental disclosure of cash flow information:			
Cash paid during the year for the following:			
Interest expense, net of amount capitalized	$ 53.4	$ 111.6	$ 85.6
Income taxes	$ 210.6	$ 146.1	$ 192.7

See accompanying notes to consolidated financial statements.

Notes
to Consolidated Financial Statements

(in millions, except share data)

(1) Initial Public Offering

At December 31, 2001, Alcon, Inc., a Swiss corporation (Alcon), was a wholly owned subsidiary of Nestlé S.A. (Nestlé). On September 20, 2001, the Board of Directors of Nestlé approved the exploration of an initial public offering (the IPO) of a minority stake in Alcon.

Alcon declared on February 25, 2002, and made, on March 20, 2002, a payment to Nestlé of $1,243.4 (CHF 2,100) for dividends and return of capital. This payment was financed from existing cash and cash equivalents and additional short term borrowings. The entire payment was considered a dividend under Swiss law.

On February 25, 2002, the shareholder of Alcon converted 69,750,000 Alcon common shares owned by Nestlé into 69,750,000 Alcon non-voting preferred shares. On March 21, 2002, holders of Alcon common shares voted to redeem the preferred shares for an aggregate redemption price of CHF 3,634. The proceeds, net of related costs including taxes, from the IPO were used to redeem the preferred shares for $2,188.0 on May 29, 2002. No dividends were paid on the preferred shares.

On March 20, 2002, Alcon's IPO was priced at $33.00 per share for 69,750,000 common shares. The net proceeds to Alcon from the IPO were $2,189.0, after offering expenses and taxes. A portion of the IPO proceeds was utilized to repay $712.1 in short term debt until May 29, 2002, when the preferred shares were redeemed.

Net proceeds of $219.1, after offering expenses and taxes, from the subsequent exercise of the underwriters' over-allotment option to purchase 6,975,000 common shares were used to reduce short term indebtedness.

In connection with the IPO, Alcon changed certain provisions of its deferred compensation plan. These changes resulted in a one time $22.6 charge to operating income ($14.2 net of tax) upon the completion of the IPO in March 2002.

(2) Summary of Significant Accounting Policies and Practices

(a) Description of Business: The principal business of Alcon and all of its subsidiaries (collectively, the Company) is the development, manufacture and marketing of pharmaceuticals, surgical equipment and devices, contact lens care and other vision care products that treat eye diseases and disorders and promote the general health and function of the human eye. Due to the nature of the Company's worldwide operations, it is not subject to significant concentration risks.

(b) Principles of Consolidation: The consolidated financial statements include the accounts of the Company. All significant balances and transactions among the consolidated entities have been eliminated in consolidation. All consolidated entities are included on the basis of a calendar year.

(c) Management Estimates: Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Actual results could differ from those estimates.

(d) Foreign Currency: The reporting currency of the Company is the United States dollar. The financial position and results of operations of the Company's foreign subsidiaries are generally determined using the local currency as the functional currency. Assets and liabilities of these subsidiaries have been translated at the rate of exchange at the end of each period. Revenues and expenses have been translated at the weighted average rate of exchange in effect during the period. Gains and losses resulting from translation adjustments are included in accumulated other comprehensive loss in shareholders' equity. The impact of subsidiaries located in countries whose economies are considered highly inflationary is insignificant. Gains and losses resulting from foreign currency transactions are included in nonoperating earnings. Under Swiss corporate olicies

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(e) Cash and Cash Equivalents: Cash equivalents include demand deposits and all highly liquid investments with original maturities of three months or less.

(f) Inventories: Inventories are stated at the lower of cost or market. Cost is determined primarily using the first-in, first-out method.

(g) Investments: Investments consist of equity and fixed income securities classified as available-for-sale. Available-for-sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of accumulated other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis.

A decline in the market value of any available-for-sale investments that is deemed to be other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. Dividend and interest income are recognized when earned.

(h) Financial Instruments: The Company uses various derivative financial instruments on a limited basis as part of a strategy to manage the Company's exposure to certain market risks associated with interest rate and foreign currency exchange rate fluctuations expected to occur within the next twelve months. The Company evaluates the use of interest rate swaps and periodically uses such agreements to manage its interest risk on selected debt instruments. The Company does not enter into financial instruments for trading or speculative purposes.

The Company periodically uses foreign currency forward contracts to reduce the effect of fluctuating foreign currencies on foreign currency denominated intercompany transactions. The forward contracts establish the exchange rates at which the Company purchases or sells the contracted amount of local currencies for specified foreign currencies at a future date. The Company uses forward contracts, which are short term in nature, and receives or pays the difference between the contracted forward rate and the exchange rate at the settlement date.

All of the Company's derivative financial instruments are recorded at fair value. For derivative instruments designated and qualifying as fair value hedges, the gain or loss on these hedges is recorded immediately in earnings to offset the changes in the fair value of the assets or liabilities being hedged. For derivative instruments designated and qualifying as cash flow hedges, the effective portion of the gain or loss on these hedges is reported as a component of accumulated other comprehensive loss in shareholders' equity, and is reclassified into earnings when the hedged transaction affects earnings.

(i) Property, Plant and Equipment: Property, plant and equipment are stated at historical cost. Additions, major renewals and improvements are capitalized while repairs and maintenance costs are expensed. Upon disposition, the book value of assets and related accumulated depreciation is relieved and the resulting gains or losses are reflected in earnings.

Depreciation on plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets which are as follows:

Land improvements	25 years
Buildings and improvements	12–50 years
Machinery, other equipment and software	3–12 years

(j) Goodwill and Intangible Assets, Net: Effective January 1, 2002, Alcon adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually. Alcon did not record an impairment loss as a result of the implementation of Statement 142. Statement 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their residual values and reviewed for impairment.

Prior to 2002, goodwill, which represents the excess of purchase price over fair value of net assets acquired, was amortized on a straight-line basis over the expected periods to be benefited, which were 10 to 20 years.

Intangible assets, net, consist of customer base, trademarks and patents, and licensed technology. The cost of other intangible assets is amortized straight line over the estimated useful lives of the respective assets, which are 5 to 20 years.

(k) Impairment: Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(l) Pension and Other Postretirement Plans: The Company sponsors several defined contribution plans, defined benefit retirement plans and a postretirement health care plan.

The Company provides for the benefits payable to employees on retirement by charging current service costs to income systematically over the expected service lives of employees who participate in defined benefit plans. An actuarially computed amount is determined at the beginning of each year by using valuation methods that attribute the cost of the retirement benefits to periods of employee service. Such valuation methods incorporate assumptions concerning employees' projected compensation and health care cost trends. Past service costs are generally charged to income systematically over the remaining expected service lives of participating employees.

The cost recognized for defined contribution plans is based upon the contribution required for the period.

(m) Revenue Recognition: The Company recognizes revenue on product sales when the customer takes title and assumes risk of loss except for refractive laser system sales. If the customer takes title and assumes risk of loss upon shipment, revenue is recognized on the shipment date. If the customer takes title and assumes risk of loss upon delivery, revenue is recognized on the delivery date. Revenue is recognized as the net amount to be received after deducting estimated amounts for rebates and product returns. The Company recognizes revenue on refractive laser system equipment sales when the customer takes title and assumes risk of loss and when installation and training have been completed. Per procedure license fees related to refractive laser systems are recognized in the period when the procedure is performed. Estimated costs for warranty are recorded in cost of goods sold when the related equipment revenue is recognized.

The Company recognizes revenue in accordance with the United States Securities and Exchange Commission Staff Accounting Bulletin No. 101.

(n) Research and Development: Internal research and development are expensed as incurred. Third-party research and development costs are expensed as the contracted work is performed or as milestone results have been achieved.

(o) Selling, General and Administrative: Advertising costs are expensed as incurred. Advertising costs amounted to $99.7, $96.0 and $83.4 in 2002, 2001 and 2000, respectively.

Shipping and handling costs amounted to $37.0, $33.5 and $31.2 in 2002, 2001 and 2000, respectively.

(p) Income Taxes: The Company recognizes deferred income tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities and expected benefits of utilizing net operating loss and credit carryforwards. The impact on deferred income taxes of changes in tax rates and laws, if any, are applied to the years during which temporary differences are expected to be settled and reflected in the financial statements in the period

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(q) Basic and Diluted Earnings Per Common Share: Basic earnings per common share were computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding for the relevant period. Earnings available to common shareholders were determined by deducting dividends and accretion of discount on preferred shares of subsidiary from net earnings. In 2002, diluted weighted average common shares reflects the potential dilution using the treasury stock method that could occur if employee stock options for the issuance of common shares were exercised and if contingent restricted common shares granted to employees became vested. There were no dilutive securities outstanding in 2001 and 2000.

A reconciliation of net earnings to earnings available to common shareholders for 2002 follows:

Net earnings	$ 466.9
Dividends and accretion of discount on preferred shares of subsidiary	(3.9)
Earnings available to common shareholders	$ 463.0

The following table reconciles the weighted average shares of the basic and diluted per-share computations for 2002.

Basic weighted average common shares outstanding	301,482,834
Effect of dilutive securities:	
Employee stock options	303,665
Contingent restricted common shares	725,281
Diluted weighted average common shares outstanding	302,511,780

(r) Comprehensive Income: Comprehensive income consists of net earnings, foreign currency translation adjustments, unrealized gains (losses) on investments and unrealized losses on cash flow hedges and is presented in the consolidated statements of shareholders' equity and comprehensive income.

(s) Stock Based Compensation: The Company applies the intrinsic value method provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for grants to Company directors, officers and employees under the 2002 Alcon Incentive Plan. No stock-based employee compensation cost was reflected in net earnings, as all options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net earnings and earnings per common share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" in accounting for the plan.

	2002
Net earnings, as reported	$ 466.9
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards, net of related tax benefits	(15.2)
Pro forma net earnings	$ 451.7
Earnings per common share:	
Basic—as reported	$ 1.54
Basic—pro forma	$ 1.49
Diluted—as reported	$ 1.53
Diluted—pro forma	$ 1.48

(t) Warranty Reserves: The Company generally warrants its surgical equipment against defects for a period of one year from the installation date. Warranty costs are estimated at the date of sale and amortized over the warranty period. Such costs are estimated based on actual cost experience. The reserves to satisfy warranty obligations were $6.4 at December 31, 2002 and 2001.

(u) Reclassifications: Certain reclassifications have been made to prior year amounts to conform with current year presentation.

(3) Recently Adopted Accounting Standards

Effective January 1, 2002, Alcon adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," and Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets."

Goodwill and Other Intangible Assets: Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually. Alcon did not record an impairment as a result of the implementation of Statement 142. Statement 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their residual values and reviewed for impairment.

Intangible assets subject to amortization:

	December 31, 2002		December 31, 2001	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Licensed technology	$ 508.3	$ (207.0)	$ 502.0	$ (151.6)
Other	184.2	(92.7)	182.2	(70.5)
	$ 692.5	$ (299.7)	$ 684.2	$ (222.1)

Year ended December 31,	2002	2001	2000
Aggregate amortization expense related to intangible assets	$ 74.5	$ 74.5	$ 59.4

In connection with a voluntary recall and termination of the SKBM® microkeratome product line, a $5.9 impairment loss on intangible assets was recorded as amortization in 2002.

Estimated Amortization Expense:	
For year ended December 31, 2003	$ 66.7
For year ended December 31, 2004	$ 62.5
For year ended December 31, 2005	$ 60.7
For year ended December 31, 2006	$ 54.6
For year ended December 31, 2007	$ 51.4

Alcon recorded no intangible assets with indefinite lives other than goodwill.

The changes in the carrying amount of goodwill for the year ended December 31, 2002 were as follows:

	United States Segment	International Segment	Total
Balance, December 31, 2001	$ 338.4	$ 202.8	$ 541.2
Amounts reclassified to goodwill from intangibles	3.2	1.7	4.9
Reclassified balance, December 31, 2001	341.6	204.5	546.1
Impact of changes in foreign exchange rates	—	3.7	3.7
Balance, December 31, 2002	**$ 341.6**	**$ 208.2**	**$ 549.8**

Statement 142 requires disclosure of net earnings, assuming the exclusion of amortization expense recognized in the periods for goodwill and intangible assets that will no longer be amortized, and changes in amortization periods for intangible assets that will continue to be amortized.

Year ended December 31,	2002	2001	2000
Reported net earnings	$ 466.9	$315.6	$ 331.7
Add back—goodwill amortization, net of income taxes	—	40.2	24.8
Adjusted net earnings	$ 466.9	$355.8	$ 356.5
Basic earnings per share:			
Reported net earnings	$ 1.54	$ 1.05	$ 1.11
Add back—goodwill amortization, net of income taxes	—	0.13	0.08
Adjusted net earnings	$ 1.54	$ 1.18	$ 1.19
Diluted earnings per share:			
Reported net earnings	$ 1.53	$ 1.05	$ 1.11
Add back—goodwill amortization, net of income taxes	—	0.13	0.08
Adjusted net earnings	$ 1.53	$ 1.18	$ 1.19

Long Lived Assets: The adoption of Statement 144 did not have a material impact on either the results of operations or the financial position of Alcon.

(4) Cash Flows—Supplemental Disclosure of Non-cash Financing Activities

(a) On February 25, 2002, the shareholder of Alcon converted 69,750,000 Alcon common shares owned by Nestlé into 69,750,000 Alcon non-voting preferred shares. The redemption price for these preferred shares was CHF 3,634.

(b) In connection with the IPO, certain Alcon employees elected to convert their interests in the 1994 Phantom Stock Plan into restricted Alcon common shares and options to purchase Alcon common shares. The effects on the financial statements were to:

- decrease other current liabilities by $10.9
- decrease other long term liabilities by $23.3
- increase common stock and additional paid-in capital by $71.5
- decrease total equity for deferred compensation of $37.3

Deferred compensation was reduced by $22.1, which was charged against earnings in year ended December 31, 2002 and was reflected as an adjustment in net cash from operating activities.

(c) During year ended December 31, 2002, Alcon acquired 6,032 treasury shares totaling $0.2 when certain individuals terminated employment before vesting in their restricted common shares, as discussed in note 13.

(5) Summit Acquisition

On July 7, 2000, the Company purchased substantially all of the outstanding stock and options of Summit Autonomous Inc. (Summit) for a total purchase price of $948.0 including acquisition costs. Summit manufactures, sells and services excimer laser systems and related products which correct vision disorders. The Company accounted for the acquisition using the purchase method. Under the purchase method, the Company allocated the purchase price to the identified assets (including tangible and intangible assets), in process research and development (IPR&D) and liabilities based on their respective fair values. The excess of the purchase price over the value of the identified assets, IPR&D and liabilities was recorded as goodwill.

Acquired IPR&D of $18.5 related to the LADARWave™ Custom Cornea® Wavefront System project was expensed immediately, resulting in a noncash charge to 2000 earnings, since the project had not reached technological feasibility and the assets to be used in such project had no alternative future use. The value of the IPR&D was determined by an independent appraiser.

Summit, VISX, Incorporated and certain of their affiliates (including Pillar Point Partners, a partnership between affiliates of Summit and VISX) were involved in a number of antitrust lawsuits which, among other things, alleged price-fixing in connection with per-procedure patent royalties charged by Summit and VISX. These suits were settled in July 2001 for $25.0. This settlement was accrued on the July 7, 2000 balance sheet of Summit.

Summit and certain of its present and former officers were defendants in two class action shareholder suits claiming, among other things, violations of the Securities Act of 1933 and the Securities Exchange Act of 1934. These suits were settled for $10.0 during the fourth quarter of 2000. This settlement was accrued on the July 7, 2000 balance sheet of Summit.

(6) Supplemental Balance Sheet Information

December 31,	2002	2001
Cash and Cash Equivalents		
Cash	$ 47.1	$ 45.8
Cash equivalents—Nestlé	—	1,094.0
Cash equivalents—Other	920.8	0.7
	$ 967.9	$1,140.5

Cash equivalents consisted of interest bearing deposits and repurchase agreements with an initial term of less than three months. At December 31, 2001, certain cash equivalents were on deposit with Nestlé subsidiaries, bearing interest of LIBOR plus a margin, and had original maturities of less than three months.

December 31,	2002	2001
Trade Receivables, Net		
Trade receivables	$ 580.5	$ 516.0
Allowance for doubtful accounts	33.0	24.0
	$ 547.5	$ 492.0

Bad debt expense for the years ended December 31, 2002, 2001 and 2000 was $8.9, $11.9 and $3.1, respectively. The allowance for doubtful accounts at the beginning of 2001 and 2000 was $20.3 and, $17.0, respectively. Charge-offs (recoveries), net, for the years ended December 31, 2002, 2001 and 2000 were $ (0.1), $8.2 and $(0.2), respectively.

December 31,	2002	2001
Inventories		
Finished products	$ 245.0	$ 219.8
Work in process	34.0	36.2
Raw materials	133.3	123.5
	$ 412.3	$ 379.5

December 31,	2002	2001
Other Current Assets		
Prepaid expenses	$ 39.9	$ 18.4
Receivables from affiliates	0.3	1.3
Other	48.0	28.8
	$ 88.2	$ 48.5

December 31,	2002	2001
Property, Plant and Equipment, Net		
Land and improvements	$ 23.2	$ 21.5
Buildings and improvements	466.7	439.5
Machinery, other equipment and software	728.4	665.2
Construction in progress	46.2	38.4
	1,264.5	1,164.6
Accumulated depreciation	585.4	520.8
	$ 679.1	$ 643.8

Construction in progress at December 31, 2002 consisted primarily of various plant expansion projects. Commitments related to these projects at December 31, 2002 totaled $20.0.

December 31,	2002	2001
Other Current Liabilities		
Deferred income tax liabilities	$ 11.5	$ 14.8
Payables to affiliates	4.3	47.1
Accrued payroll	183.0	159.0
Accrued taxes	224.9	214.0
Other	235.7	232.2
	$ 659.4	$ 667.1

December 31,	2002	2001
Other Long Term Liabilities		
Pension plans	$ 161.0	$ 146.8
Postretirement health care plan	41.4	32.1
Deferred compensation	32.2	65.7
Other	22.0	24.6
	$ 256.6	$ 269.2

(7) Short Term Borrowings

December 31,	2002	2001
Lines of credit	$ 240.6	$ 192.1
Commercial paper	1,377.4	—
From affiliates	117.2	565.4
Bank overdrafts	37.6	48.0
	$ 1,772.8	$ 805.5

At December 31, 2002, the Company had several unsecured line of credit agreements totaling $335.1 with third parties that were denominated in various currencies. The commitment fees related to unused borrowings under these facilities were nominal during 2002, 2001 and 2000. The weighted average interest rates at December 31, 2002 and 2001 were 6.6% and 6.3%, respectively. The amounts outstanding under these agreements at December 31, 2002 were due at various dates during 2003.

At December 31, 2002, the Company had a $2,000 commercial paper facility. At December 31, 2002, the outstanding balance carried an average interest rate of 1.34% before fees. Related to this short term, floating interest rate borrowing, the Company has entered into two $25.0 interest rate swaps that have a net effect of fixing the interest rate of a portion of the outstanding amount at 2.77%, which is based on a two year rate at the time of initiation of the hedge. Nestlé guarantees the commercial paper facility and assists in its management, for which the Company pays Nestlé an annual fee based on the average outstanding commercial paper balances. The Company's management believes that any fees paid by us to Nestlé for their guarantee of any indebtedness or for the management of the commercial paper program are comparable to the fees that would be paid in an arm's length transaction.

The Company had various unsecured promissory notes and line of credit agreements denominated in various currencies with several subsidiaries of Nestlé. These short term borrowings at December 31, 2002 were either due on demand or at various dates during 2003. The weighted average interest rates at December 31, 2002 and 2001 were 3.6% and 2.9%, respectively. The unused portion under the line of credit agreements was $162.5 at December 31, 2002.

The Company had several unsecured bank overdraft lines of credit denominated in various currencies totaling $168.8 at December 31, 2002. The weighted average interest rates on bank overdrafts at December 31, 2002 and 2001 were 9.5% and 7.4%, respectively, in local currency terms.

(8) Long Term Debt

December 31,	2002	2001
Long term debt—Nestlé affiliates	$ —	$ 600.0
License obligations	43.9	70.6
Bonds	45.6	39.6
Other	14.4	16.6
Total long term debt	103.9	726.8
Less current maturities of long term debt	23.1	29.4
Long term debt, net of current maturities	$ 80.8	$ 697.4

License obligations represented the present value of non-interest bearing future fixed payments through 2007 that were capitalized as intangibles. These obligations were discounted at the Company's borrowing rate (6.25% to 8.50%) at the time each license was obtained.

During January 2001, the Company's Japanese subsidiary issued bonds with interest at LIBOR (0.8% at December 31, 2002) due 2011. Such bonds were guaranteed by Nestlé for a fee of approximately $0.1 in 2002 and 2001.

Long term maturities for each of the next five years are $23.1 in 2003, $9.3 in 2004, $4.8 in 2005, $5.0 in 2006, and $5.1 in 2007.

Interest costs of $0.2, $2.2 and $2.3 in 2002, 2001 and 2000, respectively, were capitalized as part of property, plant and equipment.

(9) Income Taxes

The components of earnings before income taxes were:

	2002	2001	2000
Switzerland	$ 178.3	$ 267.7	$ 172.4
Outside of Switzerland	499.2	246.2	382.3
Earnings before income taxes	$ 677.5	$ 513.9	$ 554.7

Income tax expense (benefit) consisted of the following:

	2002	2001	2000
Current:			
Switzerland	$ 20.8	$ 26.9	$ 25.4
Outside of Switzerland	184.5	173.8	193.4
Total current	205.3	200.7	218.8
Deferred:			
Switzerland	3.7	3.2	2.5
Outside of Switzerland	1.6	(5.6)	1.7
Total deferred	5.3	(2.4)	4.2
Total	$ 210.6	$ 198.3	$ 223.0

A comparison of income tax expense at the statutory tax rate of 7.8% in Switzerland to the consolidated effective tax rate follows:

	2002	2001	2000
Statutory income tax rate	7.8%	7.8%	7.8%
Effect of higher tax rates in other jurisdictions	25.2	26.0	23.8
Nondeductible items	—	4.2	4.3
Other	(1.9)	0.6	4.3
Effective tax rate	31.1%	38.6%	40.2%

At December 31, 2002, Alcon's subsidiaries had net operating loss carryforwards as follows:

Year of Expiration	Amount
2003	$ 1.1
2004	0.6
2005	5.2
2006	3.0
2007	5.2
2008–2010	2.2
Indefinite	23.9
	$ 41.2

Deferred income taxes are recognized for tax consequences of "temporary differences" by applying enacted statutory tax rates, applicable to future years, to differences between the financial reporting and the tax basis of existing assets and liabilities.

Temporary differences and carryforwards at December 31, 2002 and 2001 were as follows:

December 31,	2002	2001
Deferred income tax assets:		
Trade receivables	$ 20.0	$ 16.7
Inventories	40.8	42.1
Other current assets	—	2.1
Other assets	37.1	30.2
Accounts payable and other current liabilities	67.7	61.3
Other liabilities	96.5	109.3
Net operating loss carryforwards	13.5	6.3
Gross deferred income tax assets	275.6	268.0
Valuation allowance	(10.8)	(4.6)
Total deferred income tax assets	264.8	263.4
Deferred income tax liabilities:		
Property, plant and equipment	47.8	35.4
Goodwill and intangible assets	71.7	90.4
Other	23.8	10.9
Total deferred income tax liabilities	143.3	136.7
Net deferred income tax assets	$ 121.5	$ 126.7

Based on the Company's historical pre-tax earnings, management believes it is more likely than not that the Company will realize the benefit of the existing net deferred income tax assets at December 31, 2002. Management believes the existing net deductible temporary differences will reverse during periods in which the Company generates net taxable earnings; however, there can be no assurance that the Company will generate any earnings or any specific level of continuing earnings in future years. Certain tax planning or other strategies could be implemented, if necessary, to supplement earnings from operations to fully realize tax benefits.

Withholding taxes of approximately $43.6 have not been provided on approximately $861.9 of unremitted earnings of certain subsidiaries since such earnings are, or will be, reinvested in operations indefinitely. Dividends to Alcon do not result in Swiss income taxes.

(10) Business Segments

The Company conducts its global business through two business segments: Alcon United States and Alcon International. Alcon United States includes sales to unaffiliated customers located in the United States of America, excluding Puerto Rico. Alcon United States operating profit is derived from operating profits within the United States, as well as operating profits earned outside of the United States related to the United States business. Alcon International includes sales to all other unaffiliated customers.

Each business segment markets and sells products principally in three product categories of the ophthalmic market: (1) pharmaceutical (e.g., prescription ophthalmic and otic drugs), (2) surgical equipment and devices, (e.g., cataract, vitreoretinal, and refractive) and (3) consumer eye care (e.g., contact lens disinfectants and cleaning solutions, artificial tears and ocular vitamins). Business segment operations generally do not include research and development, manufacturing and other corporate functions. Each business segment is managed by a single business segment manager who reports to the Chief Executive Officer, who is the chief operating decision maker of the Company.

Beginning in 2002, segment performance is measured based on sales and operating income reported in accordance with U.S. GAAP. Prior to 2002, the Company measured performance on the basis of International Accounting Standards. For consistency of presentation, business segment information for 2001 and 2000 have been restated to a U.S. GAAP basis.

Certain manufacturing costs and manufacturing variances are not assigned to business segments because most manufacturing operations produce products for more than one business segment. Research and development costs, excluding regulatory costs which are included in the business segments, are treated as general corporate costs and are not assigned to business segments.

Identifiable assets are not assigned by business segment and are not considered in evaluating the performance of the business segments.

	2002	2001	2000
Sales			
United States	$ 1,632.6	$ 1,464.6	$ 1,333.4
International	1,376.5	1,283.1	1,220.2
Segments total	3,009.1	2,747.7	2,553.6
Manufacturing operations	—	—	—
Research and development	—	—	—
General corporate	—	—	—
U.S. GAAP total	$ 3,009.1	$ 2,747.7	$ 2,553.6
Operating Income			
United States	$ 675.3	$ 544.7	$ 527.7
International	428.1	405.9	384.4
Segments total	1,103.4	950.6	912.1
Manufacturing operations	(30.7)	(34.2)	(26.6)
Research and development	(302.0)	(270.2)	(239.3)
General corporate	(67.0)	(57.3)	(49.4)
U.S. GAAP total	$ 703.7	$ 588.9	$ 596.8
Depreciation and Amortization			
United States	$ 87.0	$ 96.6	$ 70.1
International	41.4	64.1	57.2
Segments total	128.4	160.7	127.3
Manufacturing operations	27.4	25.4	26.4
Research and development	7.3	7.4	6.7
General corporate	3.4	1.8	0.3
U.S. GAAP total	$ 166.5	$ 195.3	$ 160.7

(11) Geographic, Customer and Product Information

Sales for the Company's country of domicile and all individual countries accounting for more than 10% of total sales are noted below along with long lived assets in those countries. Sales by ophthalmic market segment are also included. Sales below are based on the location of the customer. No single customer accounts for more than 10% of total sales.

	Sales			Property, Plant and Equipment	
	For the Year Ended December 31,			At December 31,	
	2002	2001	2000	2002	2001
United States	$ 1,632.6	$ 1,464.6	$ 1,333.4	$ 474.1	$ 463.1
Japan	271.7	284.8	309.4	5.4	5.2
Switzerland	19.6	16.2	14.7	7.0	4.1
Rest of World	1,085.2	982.1	896.1	192.6	171.4
Total	$ 3,009.1	$ 2,747.7	$ 2,553.6	$ 679.1	$ 643.8
Pharmaceutical	$ 1,089.5	$ 927.8	$ 836.2		
Surgical	1,438.5	1,357.7	1,263.9		
Contact lens care and other vision care	481.1	462.2	453.5		
Total	$ 3,009.1	$ 2,747.7	$ 2,553.6		

(12) Stock-Based Compensation Plans

Contemporaneously with the IPO, the Company adopted the 2002 Alcon Incentive Plan. Under the plan, the Company's Board of Directors may award to officers, directors and key employees options to purchase up to 30 million shares of the Company's common stock at a price set by the Board which may not be lower than the prevailing stock exchange price upon the grant of the option. In the fourth quarter of 2002, the Board authorized the acquisition on the open market of up to two million common shares to satisfy the exercise of stock options granted under the plan. Individual grants become exercisable generally on or after the third anniversary of the grant and lapse on the tenth anniversary of the grant.

The plan also provides that the Board may grant Stock Appreciation Rights (SARs) whereby the grantee may receive the appreciation in stock value over the grant price. The expense related to these SARs that is included in the Company's operating results for 2002 was $0.3.

In addition, under this plan the Company provided for a conversion of existing phantom stock units granted under the 1994 Phantom Stock Plan into restricted common shares of the Company and the grant of common stock options to any person who elected to make the conversion. See note 13 for additional information about this grant.

The Company applies the intrinsic value based method to account for grants to Company directors, officers and employees under the 2002 Alcon Incentive Plan. Under this method, compensation expense is measured as soon as the number of shares and the exercise price is known. Compensation cost is measured by the amount by which the current market price of the underlying stock exceeds the exercise price. The Company discloses the pro forma impact of the fair value based method of accounting for stock-based employee compensation plans.

The fair value of each stock option grant was estimated as of the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

	2002
Expected volatility	33.0%
Risk-free interest rate	4.75%
Expected lives	4 years
Dividend yield	1%

The status of the stock option awards as of December 31, 2002 and changes during the year then ended are presented below:

	Options	Weighted Average Exercise Price
Balance, December 31, 2001	—	$ —
Granted	7,226,108	33
Forfeited	(72,524)	33
Exercised	(91,000)	33
Balance, December 31, 2002	7,062,584	33
Options exercisable at year-end	132,681	
Weighted average fair value of options granted during the year	$ 10.03	

The following table summarizes information about fixed stock options as of December 31, 2002:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 33 to 35	7,062,584	9.25 years	$ 33	132,681	$ 33

At December 31, 2002, the Company had reserved 27,743,301 shares of common stock for issuance pursuant to the 2002 Alcon Incentive Plan.

(13) Deferred Compensation

The Company has an unfunded deferred compensation plan referred to as the 1994 Phantom Stock Plan for which key management members and certain other employees were eligible to be considered for participation prior to 2002. A committee appointed by the Board of Directors administers the plan. Plan payments were $19.1 and $16.1 for 2002 and 2001, respectively. The plan's liability was $29.5 and $74.5 at December 31, 2002 and 2001, respectively, which is included in other current liabilities and other long term liabilities in the accompanying consolidated balance sheets.

Contemporaneously with the IPO, certain Alcon employees elected to convert $34.2 of their interests in the 1994 Phantom Stock Plan into approximately 2.2 million contingent restricted common shares of Alcon. Although all of these shares were included in the outstanding common shares in the accompanying balance sheet at December 31, 2002, the unvested portion (which was contingent) of the restricted common shares was excluded in the calculation of basic weighted average common shares outstanding for 2002. In connection with this conversion, these employees were also granted options to purchase approximately 0.9 million Alcon common shares at $33.00 per share (the IPO price) under the 2002 Alcon Incentive Plan. These restricted shares and options are scheduled to vest at various times through January 1, 2006. The options expire on March 20, 2012.

In 2002, the Board of Directors adopted the Alcon Executive Deferred Compensation Plan (DCP). The DCP permits certain executives of the Company to defer receipt of compensation and certain stock gains otherwise payable currently and to accumulate earnings thereon on a tax-deferred basis. The plan is designed to permit executives' deferral elections to be held and owned by the Company in a Rabbi trust. At December 31, 2002, no deferrals had been recorded under the plan and no assets had been contributed to the trust.

(14) Financial Instruments

Foreign Currency Risk Management: A significant portion of the Company's cash flows is denominated in foreign currencies. Alcon relies on sustained cash flows generated from foreign sources to support its long term commitments to U.S. dollar-based research and development. To the extent the dollar value of cash flows is diminished as a result of a strengthening dollar, the Company's ability to fund research and other dollar-based strategic initiatives at a consistent level may be impaired. The Company has established balance sheet risk management programs to protect against volatility of future foreign currency cash flows and changes in fair value caused by volatility in foreign exchange rates.

A primary objective of the balance sheet risk management program is to protect the U.S. dollar value of foreign currency denominated net monetary assets from the effects of volatility in foreign exchange that might occur prior to their conversion to U.S. dollars. Alcon seeks to fully offset the effects of exchange on exposures denominated in developed country currencies, primarily the euro and Japanese yen and will either partially offset or not offset at all exposures in developing countries where we consider the cost of derivative instruments to be uneconomic or when such instruments are unavailable at any cost. The Company will also minimize the effects of exchange on monetary assets and liabilities by managing operating activities and net asset positions at the local level. Alcon primarily utilizes forward exchange contracts which enable the Company to buy and sell foreign currencies in the future at fixed exchange rates and offset the consequences of changes in foreign exchange on the amount of U.S. dollar cash flows derived from the net assets. Prior to conversion to U.S. dollars, monetary assets and liabilities denominated in U.S. dollars are remeasured at spot rates in effect on the balance sheet date. The effect of changes in spot rates is reported in foreign exchange gains and losses in other income (expense). The forward contracts are marked to fair value through foreign exchange gains and losses in other income (expense). Fair value changes in the forward contracts offset the changes in the value of the remeasured assets and liabilities attributable to changes in foreign currency exchange rates, except to the extent of the spot-forward differences. These differences are not significant due to the short term nature of the contracts, which typically have average maturities at inception of less than one year.

The fair values of forward exchange contracts are reported in other current assets and other current liabilities. For foreign currency cash flow hedges, the amount of net gain/loss related to ineffectiveness was immaterial. The cash flow hedge derivative instruments have settlement dates within 2003 and cover a notional amount of $32.5, while the fair value hedge derivatives cover a notional amount of $337.0.

Interest Rate Risk Management: The Company may use interest rate swap contracts on certain investing and borrowing transactions to manage its net exposure to interest rate changes and to reduce its overall cost of borrowing. The Company does not use leveraged swaps and does not leverage any of its investment activities that would put principal capital at risk.

At December 31, 2002 and 2001, in connection with long term bonds, the Company had an interest rate swap fair value hedge outstanding in the notional amount of $42.0. At December 31, 2002, in connection with its commercial paper program, the Company had interest rate swap agreements outstanding in the notional amount of $50.0. The fair values of interest rate swap agreements are reported in other current assets and other current liabilities.

Fair Value of Financial Instruments: At December 31, 2002 and 2001, the Company's financial instruments included cash, cash equivalents, investments, trade receivables, accounts payable, short term borrowings and long term debt. The estimated fair value of all of these financial instruments is as noted below. Due to the short term maturities of cash, cash equivalents, trade receivables, accounts payable and short term borrowings, the carrying amount approximates fair value. The fair value of long term debt is based on interest rates then currently available to the Company for issuance of debt with similar terms and remaining maturities. The fair value of investments was based on quoted market prices at year end.

December 31,	2002		2001	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
Assets:				
Cash and cash equivalents	$ 967.9	$ 967.9	$ 1,140.5	$ 1,140.5
Investments:				
Marketable equity	—	—	4.8	4.8
Fixed income	66.3	66.3	57.1	57.1
Trade receivables, net	547.5	547.5	492.0	492.0
Forward exchange contracts	6.7	6.7	—	—
Interest rate swaps	7.4	7.4	1.8	1.8
Liabilities:				
Accounts payable	117.0	117.0	108.6	108.6
Short term borrowings	1,772.8	1,772.8	805.5	805.5
Long term debt	103.9	106.8	726.8	832.0
Forward exchange contracts	3.0	3.0	3.8	3.8
Interest rate swaps	1.0	1.0	—	—

Investment amounts include net unrealized holding losses (gains) of $0.9 and $(0.7) at December 31, 2002 and 2001, respectively. During 2001, an impairment loss on a marketable equity investment of $9.1 was recorded in other nonoperating expenses ($5.7 net of tax).

Concentrations of Credit Risk: As part of its ongoing control procedures, the Company monitors concentrations of credit risk associated with corporate issuers of securities and financial institutions with which it conducts business. Credit risk is minimal as credit exposure limits are established to avoid a concentration with any single issuer or institution. The Company also monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business. Concentrations of credit risk associated with these trade receivables are considered minimal due to the Company's diverse customer base. Bad debts have been minimal. The Company does not normally require collateral or other security to support credit sales.

(15) Related Party Transactions

At December 31, 2002, Nestlé owned 74.5% of the outstanding common shares of Alcon.

The Company's material transactions with related parties have been with Nestlé and its subsidiaries. All material related party transactions that are not disclosed elsewhere in these notes are included below.

During 2002, 2001 and 2000 the Company had investments and borrowings with Nestlé and its subsidiaries which resulted in the following impact to earnings before income taxes:

	2002	2001	2000
Interest expense	$ 19.4	$ 80.8	$ 49.9
Interest income	$ 3.8	$ 37.6	$ 28.2

The Company sold Alcon Germany to Nestlé's German subsidiary effective January 1, 2001 for approximately $30 and, under the separation agreement, Nestlé's German subsidiary sold it back to us effective January 1, 2002, for approximately $42. Alcon Germany's results of operations have been consolidated by the Company and are reflected in all periods presented in the accompanying consolidated financial statements.

The Company had a minority interest in a finance company that was owned jointly with a Nestlé subsidiary. The investment was recorded using the equity method of accounting. During 2000, this investment was sold to a Nestlé subsidiary at book value for $76.4.

The Company leases certain facilities from Nestlé subsidiaries which resulted in rent expense of $0.2, $0.6 and $0.6 in 2002, 2001 and 2000, respectively. Nestlé provides the Company with certain services, including a portion of the Company's information technology licenses, corporate legal services, and certain internal audit activities. Nestlé

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charges the Company for its portion of the costs of these services based on arm's length prices. Such charges were less than $1.0 in each of the three years ended December 31, 2002.

At December 31, 2001 and 2000, certain employees of the Company participated in a Nestlé stock option plan. The Company used the intrinsic-value method to account for the employees' participation in this plan. The impact of these options under the intrinsic-value method or the fair-value method was negligible.

Under the Nestlé stock option plan, the employees were granted options to purchase Nestlé common stock with an exercise price equal to the market value on the date of grant. The options had lives of five and seven years and vested after two and three years, respectively. The plan provided the employees with the option of taking cash for the intrinsic value or paying the exercise price and taking the stock of Nestlé. Since the participants had the option to take net settlement in cash, the plan was treated as a variable plan under the intrinsic-value method.

A summary of the options is as follows:

	2001		2000	
	Shares (Actual)	Weighted Average Exercise Price (Actual CHF)	Shares (Actual)	Weighted Average Exercise Price (Actual CHF)
Outstanding at beginning of year	12,810	258.8	24,660	175.8
Granted	4,300	343.2	4,290	281.9
Exercised	—	—	(16,140)	138.3
Outstanding at end of year	17,110	280.0	12,810	258.8
Options exercisable at end of year	8,520	247.1	3,840	230.3
Weighted average fair value of options granted during the year (Actual U.S. $)	$ 55.83		$ 49.51	

The fair value of options granted was calculated using the Black-Scholes option pricing model with the following assumptions, with respect to Nestlé: dividend yield of 1.2% in 2001 and 1.6% in 2000; volatility of 24% in 2001 and 22% in 2000; risk free interest rate of 4.9% and 6.5% in 2001 and 2000, respectively; and an expected term of five years.

Prior to the IPO, the remaining Alcon employee participating in the Nestlé stock option plan agreed to surrender options to purchase 17,110 Nestlé shares, of which options to purchase 8,520 shares were exercisable, in exchange for options to purchase 80,000 Alcon common shares. The new options were granted pursuant to the 2002 Alcon Incentive Plan and generally contain the same terms as other options issued under the plan.

(16) Pension and Postretirement Benefits

The Company's pension and postretirement benefit plans, which in aggregate cover substantially all employees in the United States and employees in certain other countries, consist of defined benefit pension plans, defined contribution plans and a postretirement health care plan. The Company's cost of defined contribution plans was $49.6, $45.4 and $40.3 in 2002, 2001 and 2000, respectively. The information provided below pertains to the Company's defined benefit pension plans and postretirement health care plan. The following table reconciles the changes in benefit obligations, fair value of plan assets, and funded status for the two-year period ending December 31, 2002:

	Pension benefits		Postretirement benefits	
	2002	2001	2002	2001
Change in Benefit Obligation				
Benefit obligation at beginning of year	$ 184.2	$ 154.4	$ 123.9	$ 120.3
Service cost	12.4	12.0	7.3	7.6
Interest cost	11.4	9.7	9.1	9.3
Benefits paid	(6.8)	(5.7)	(4.6)	(3.4)
Actuarial (gain)/loss	9.0	13.8	39.6	(9.9)
Benefit obligation at end of year	$ 210.2	$ 184.2	$ 175.3	$ 123.9
Change in Plan Assets				
Fair value of plan assets at beginning of year	$ 12.8	$ 8.1	$ 87.2	$ 97.8
Actual return on plan assets	1.3	(1.2)	(11.4)	(7.2)
Employer contribution	5.0	11.6	—	—
Benefits paid	(0.6)	(5.7)	(4.6)	(3.4)
Fair value of plan assets at end of year	$ 18.5	$ 12.8	$ 71.2	$ 87.2
Reconciliation of Funded Status to Balance Sheet Liability				
Funded status	$ (191.7)	$ (171.4)	$ (104.1)	$ (36.7)
Unrecognized prior service cost	—	—	3.8	4.3
Unrecognized actuarial (gain)/loss	30.7	24.6	58.9	0.3
Net amount recognized in other long term liabilities	$ (161.0)	$ (146.8)	$ (41.4)	$ (32.1)
Weighted-Average Assumptions as of December 31,				
Discount rate	3.0–6.5%	3.0–7.3%	6.75%	7.5%
Expected return on plan assets	3.0%	3.0%	8.75%	9.0%
Rate of compensation increase	5.0–9.0%	3.1–9.0%	N/A	N/A

	Pension benefits			Postretirement benefits		
	2002	2001	2000	2002	2001	2000
Components of Net Periodic Benefit Cost						
Service cost	$ 12.4	$ 12.0	$ 10.6	$ 7.3	$ 7.6	$ 6.7
Interest cost	11.4	9.7	7.9	9.1	9.3	8.1
Expected return on assets	(0.3)	(0.2)	(0.2)	(7.6)	(8.6)	(6.5)
Prior service cost amortization	—	—	0.7	0.5	0.5	2.7
Recognized actuarial loss	1.5	0.2	4.0	—	—	—
Net periodic benefit cost	$ 25.0	$ 21.7	$ 23.0	$ 9.3	$ 8.8	$ 11.0

The health care cost trend rate used to measure the expected cost of benefits covered by the postretirement plan is 10% in 2003, declining to 4.5% in 2007 and after. The effect of a one percentage point change in assumed medical cost trend rates is as follows:

	1% Increase	1% Decrease
Effect on total of service and interest cost components	$ 4.7	$ (3.7)
Effect on the postretirement benefit obligation	$ 31.6	$ (25.2)

In certain countries, the Company's employees participate in defined benefit plans of Nestlé. No separate valuation for the Company's employees has historically been prepared for the plans, as they are not material to the Company or to Nestlé. Accordingly, these plans are treated as multi-employer plans. Annual contributions to these plans are determined by Nestlé and charged to the Company. Company contributions to these plans during 2002, 2001 and 2000 were $3.8, $2.6 and $1.6, respectively.

(17) Commitments and Contingencies

The Company and its subsidiaries are parties to a variety of legal proceedings arising out of the ordinary course of business, including product liability and patent infringement. The Company believes that it has valid defenses and is vigorously defending the litigation pending against it.

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The Company's tax returns are subject to examination by various taxing authorities. Management records current tax liabilities based on their best estimate of what they will ultimately settle with the taxing authorities upon examination.

While the results of the aforementioned contingencies cannot be predicted with certainty, management believes that the final outcome of these contingencies are adequately covered by insurance and/or the ultimate liability, if any, will not have a material adverse effect on the Company's consolidated financial position or results of operations. Although management believes that the tax treatments reflected in the accompanying financial statements comply with the various tax laws and regulations, some of the tax treatments may change if challenged by the taxing authorities. Litigation contingencies are subject to change based on settlements and court decisions.

The Company leases certain facilities and equipment under operating leases. Lease expense incurred was $43.1, $44.3 and $41.3 during 2002, 2001 and 2000, respectively. Future minimum aggregate lease payments under non-cancelable operating leases with a term of more than one year are as follows:

Year	Amount
2003	$ 26.1
2004	18.7
2005	15.1
2006	9.1
2007	6.3
Thereafter	24.2
Total minimum lease payments	$ 99.5

The Company has entered into various purchase commitments and license agreements, requiring future minimum royalties, through 2016. All commitments are expected to be fulfilled with no adverse consequences to the Company's operations or financial condition. The total unconditional purchase obligations and future minimum royalties at December 31, 2002 were approximately $90.0. At December 31, 2002, the Company had guaranteed less than $5 of debt for certain customers.

(18) Preferred Shares of Subsidiary

In May of 2000 Alcon Holdings Inc. (AHI, a wholly-owned subsidiary of Alcon) issued four series of non-voting, non-convertible cumulative preferred shares, with Series A, B and C denominated in Swiss francs and Series D denominated in U.S. dollars. These shares were issued as part of the creation of a U.S. holding company that would be used to make U.S. acquisitions.

As part of a restructuring of AHI's equity, on November 5, 2002, Alcon sold to two financial investors all of the AHI Series A and B preferred shares, 20,000 preferred shares, for a total sales price of 1,997 Swiss francs. Alcon also contributed to AHI all of the Series C and D preferred shares it owned. After the sale, Alcon continued to own 100% of AHI's common shares and all voting rights in AHI.

On November 26, 2002, AHI redeemed all of its outstanding Series A and B preferred shares. AHI paid the investors an aggregate of 2,003 Swiss francs for the 20,000 preferred shares, which were immediately retired, and accrued dividends. AHI financed the redemption primarily with proceeds from the issuance of commercial paper.

For the year ended December 31, 2002, earnings available to common shareholders and earnings per share were reduced by the preferred dividends and the excess of the redemption cost over the carrying value of the preferred shares, totaling approximately $3.9.

(19) Exit Activities

In 1998, the Company announced the closure of its manufacturing facility in Puerto Rico. As a result of this decision, the Company accrued in 1998 certain severance costs for approximately 300 affected employees based on the statutory requirements for severance. The facility was sold in December 2000. Virtually all of the severance costs were paid in 2000.

In 1999, the Company announced the closure of a manufacturing facility in St. Louis, which resulted in the accrual of severance costs for approximately 60 employees in 1999. These costs were paid in 2000. The severance expense is included in cost of goods sold in the consolidated statement of earnings.

Prior to the purchase of Summit in July 2000, the Company began assessing and formulating a plan to exit the leased facility which represented Summit's corporate headquarters. These actions resulted in the accrual of severance for approximately 180 employees and other costs, as well as lease payments on the vacated facility as of the acquisition date which was recorded as part of the purchase price of Summit. During the first half of 2001, the closure of this facility was completed and severance payments were made. The remaining lease costs will be paid out over the remaining lease term through 2005.

	Employee Termination Benefits	Other Exit Costs	Total
Balance, December 31, 1999	$ 7.4	$ —	$ 7.4
Accrued	—	—	—
Summit acquisition	10.5	2.8	13.3
Spending	(11.2)	—	(11.2)
Balance, December 31, 2000	6.7	2.8	9.5
Accrued	—	—	—
Spending	(6.7)	(0.2)	(6.9)
Balance, December 31, 2001	—	2.6	2.6
Spending	—	(0.7)	(0.7)
Balance, December 31, 2002	**$ —**	**$ 1.9**	**$ 1.9**

The exit cost accrual is included in other current liabilities in the accompanying consolidated balance sheets.

(20) Unaudited Quarterly Information

	Three Months Ended			
	March 31,	June 30,	September 30,	December 31,
2002				
Sales	$ 707	$ 809	$ 744	$ 749
Operating income	152	237	196	119
Net earnings	94	163	125	85
Basic earnings per common share	$ 0.33	$ 0.53	$ 0.41	$ 0.26
Diluted earnings per common share	0.33	0.53	0.41	0.26

	Three Months Ended			
	March 31,	June 30,	September 30,	December 31,
2001				
Sales	$ 655	$ 746	$ 676	$ 671
Operating income	152	176	138	123
Net earnings	85	103	71	57
Basic and diluted earnings per common share	$ 0.28	$ 0.34	$ 0.24	$ 0.19

Quarterly sales trends reflect the seasonality in several products, including ocular allergy and otic products, in the form of increased sales during the spring months.

Report of the Group Auditors to the General Meeting of Alcon, Inc.

As group auditors, we have audited the consolidated financial statements (consolidated balance sheets and related consolidated statements of earnings, shareholders' equity and comprehensive income, and cash flows) of Alcon, Inc. and subsidiaries for the year ended December 31, 2002, as included in Item 18 of the Form 20-F of Alcon, Inc. and as included in the Annual Report on pages 60 to 80, and the Swiss disclosure requirements on page 82.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with auditing standards generally accepted in the United States of America, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG Klynveld Peat Marwick Goerdeler SA

Zurich, Switzerland
January 31, 2003

Alcon, Inc. and Subsidiaries Swiss Disclosure Requirements

(in millions of US dollars)

The consolidated balance sheets of Alcon, Inc. and subsidiaries (the Company) as of December 31, 2002 and 2001, and the related consolidated statements of earnings, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2002 have been prepared in accordance with US Generally Accepted Accounting Principles and are included in Item 18 of the Form 20-F of Alcon, Inc. and in the Annual Report on pages 60 to 80. Swiss law requires additional reporting disclosures and are included in the notes below.

(1) Significant Shareholders

Nestlé S.A. holds 74.46% of the common shares of Alcon, Inc. The remaining shares are publicly traded on the New York Stock Exchange since March 21, 2002. Alcon, Inc. is not aware of any other significant shareholder holding, directly or indirectly, 5% or more of the common shares.

(2) Investment in Subsidiaries

The following is a list of Alcon, Inc.'s and subsidiaries major investments as of December 31, 2002. The consolidated ownership of each of these investments as of December 31, 2002 is 100%.

Name	Domicile	Activity	Issued share capital
Summit Autonomous Inc.	Massachusetts, USA	Holding	$ 0.1
Autonomous Technologies Corporation	Delaware, USA	Holding	0.1
Alcon Holdings Inc.	Delaware, USA	Holding	0.1
Alcon Pharmaceuticals, Inc.	Delaware, USA	Distributor	0.1
Falcon Pharmaceuticals, Ltd.	Texas, USA	Distributor	0.1
Refractive Horizons, L.P.	Texas, USA	Distributor	0.1
Alcon Laboratories (UK) Ltd.	Herts, UK	Distributor	4.9
Alcon Pharmaceuticals Ltd.	Hünenberg, Switzerland	Distributor	0.1
Alcon Japan Ltd.	Tokyo, Japan	Distributor	3.7
Alcon Laboratories (Australia) Pty. Ltd.	Frenchs Forest, Australia	Distributor	2.0
Alcon Canada Inc.	Missisauga, Canada	Distributor	4.3
Alcon (Puerto Rico) Inc.	Puerto Rico	Distributor	0.1
Alcon Hong Kong, Ltd.	Hong Kong	Distributor	0.1
Alcon Pte Ltd.	Singapore	Distributor	0.1
Alcon Italia S.p.A.	Milan, Italy	Distributor	$ 1.7
Alcon Pharma GmbH	Freiburg, Germany	Distributor	0.5
Alcon Laboratories, Inc.	Delaware, USA	Manufacturer and Distributor	0.1
S.A. Alcon-Couvreur N.V.	Puurs, Belgium	Manufacturer and Distributor	2.4
Alcon Cusi, S.A.	El Masnou (Barcelona), Spain	Manufacturer and Distributor	15.0
Laboratoires Alcon S.A.	Rueil-Malmaison, France	Manufacturer and Distributor	13.5
Alcon Laboratorios do Brasil Ltda.	Sao Paulo, Brazil	Manufacturer and Distributor	10.6
Alcon Laboratorios, S.A. de C.V.	Mexico City, Mexico	Manufacturer and Distributor	4.7
Alcon (China) Ophthalmic Product Co., Ltd.	Beijing, China	Manufacturer and Distributor	1.2
Alcon Manufacturing, Ltd.	Texas, USA	Manufacturer	0.1
Alcon Ireland B.V.	Amsterdam, The Netherlands	Manufacturer	0.1
Alcon Capital Corporation	Delaware, USA	Finance	0.1
N.V. Alcon Coordination Center	Puurs, Belgium	Finance	371.2
Alcon Credit Corporation	Hünenberg, Switzerland	Finance	0.6
Alcon Finance PLC	Cork, Ireland	Finance	0.1
Alcon Research, Ltd.	Texas, USA	Research & Development	0.1
Trinity River Insurance Co. Ltd.	Bermuda	Captive Insurance	0.1

(3) Fixed Assets

The fire insurance value for fixed assets amounts to $1,383.3 and $1,105.4 at December 31, 2002 and 2001, respectively.

(4) Expense by Nature

The following items are allocated to the appropriate headings of expenses by function in the consolidated statements of earnings for the year ended December 31.

	2002	2001
Depreciation of property, plant and equipment	$ 92.0	$ 78.3
Salaries and welfare expenses	933.3	844.9
Direct material cost	324.6	294.3

Report of the Statutory Auditors to the General Meeting of Alcon, Inc., Hünenberg

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statement of earnings and retained earnings and notes) of Alcon, Inc. for the year ended December 31, 2002.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of association.

We recommend that the financial statements submitted to you be approved.

KPMG Klynveld Peat Marwick Goerdeler SA

Dr. Elisabeth Kruck Swiss Certified Accountant Auditor in charge	Thomas Affolter Swiss Certified Accountant

Zug, February 18, 2003

Enclosures:

- Financial statements (balance sheet, statement of earnings and retained earnings and notes)
- Proposed appropriation of available earnings

Balance Sheet

As of December 31,	Note	2002	2001
		CHF	CHF
Assets			
Current assets:			
Cash and banks		1,164,503,393	3,578,773
Accounts receivable:			
Due from affiliated companies		84,059,224	261,294,488
Due from parent company		—	468,361,875
Treasury shares		10,926,520	—
Prepayments and other current assets		6,347,079	356,694
		1,265,836,216	733,591,830
Non-current assets:			
Loans due from affiliated companies	5	1,136,079,577	1,835,565,677
Investments	4	865,872,253	981,883,449
Intangible assets		186,330,421	195,344,222
		2,188,282,251	3,012,793,348
		3,454,118,467	3,746,385,178
Liabilities and Shareholder's Equity			
Current liabilities:			
Bank overdraft		—	1,646,104
Accounts payable:			
Due to third parties		16,803	851,625
Due to affiliated companies		363,785,120	490,446,747
Accrued income taxes		14,893,898	14,947,334
Other accrued liabilities		19,566,848	67,700,764
Provision for unrealised exchange gains		—	88,664,354
		398,262,669	664,256,928
Non-current liabilities:			
Loan due to affiliated company		—	528,227,362
Other long-term liabilities		179,780,625	250,868,708
Provisions		1,395,000,000	—
		1,574,780,625	779,096,070
Shareholder's equity:			
Share capital	6	61,846,340	60,000,000
Legal reserve	7	605,449,967	602,433,711
Reserve for own shares	8	11,838,545	—
Other reserve		—	100,000
Retained earnings		801,940,321	1,640,498,469
		1,481,075,173	2,303,032,180
		3,454,118,467	3,746,385,178

2001 CHF
3,578,773
61,294,488
68,361,875
—
356,694
33,591,830
35,565,677
81,883,449
95,344,222
12,793,348
46,385,178
1,646,104
851,625
90,446,747
14,947,334
57,700,764
38,664,354
54,256,928
28,227,362
50,868,708
—
79,096,070
50,000,000
02,433,711
—
100,000
40,498,469
03,032,180
46,385,178

Statement of Earnings and Retained Earnings

For the year ended December 31,	2002 CHF	2001 CHF
Income		
Dividend income	317,833,260	441,554,306
Royalty income	662,333,463	768,916,945
Other investment income	636,680,970	—
Interest income	53,017,985	104,300,052
Miscellaneous income	4,984,540	4,808,581
	1,674,850,218	1,319,579,884
Expenses		
Royalty expenses	(248,150,047)	(137,731,855)
Research and development expenses	(340,019,338)	(338,409,651)
Outside services and fees	(69,821,594)	(61,990,872)
Amortization of intangibles	(10,993,622)	(11,666,262)
Investment write downs	(68,790,935)	(35,618,116)
Personnel related expenses	(3,862,837)	—
Administration and other operating expenses	(24,381,688)	(16,914,509)
Interest expenses	(10,351,852)	(46,000,133)
Withholding and miscellaneous taxes	(9,658,230)	(15,331,500)
Foreign exchange differences	(71,894,886)	(4,883,739)
Other expenses	(14,488,964)	(91,766,519)
	(872,413,993)	(760,313,156)
Earnings before income taxes	802,436,225	559,266,728
Income taxes	(495,904)	(15,066,792)
Net earnings	801,940,321	544,199,936
Retained earnings at beginning of the year	1,640,498,469	1,096,298,533
Dividend distribution	(1,640,498,469)	—
Retained earnings at end of the year	801,940,321	1,640,498,469

Notes to the Financial Statements

(1) General

The Company is registered in Hünenberg in the Canton of Zug, Switzerland. Its principal activity is holding investments, patents, trademarks and technical and industrial know-how.

Nestlé S.A. holds 74.46% of the common shares of Alcon, Inc. The remaining shares are publicly traded at the New York Stock Exchange (NYSE) since March 21, 2002. The Company is not aware of any other significant shareholder holding, directly or indirectly, 5% or more of the share capital.

(2) Significant Accounting Policies

The accounting policies followed for dealing with items which are judged material or critical in determining the results for the year and stating the financial position are as follows:

(2.1) Foreign Currency Translation: The accounting records are kept in USD, which is the functional currency of the Company. Assets and liabilities which arise in currencies other than USD are translated at the rates of exchange prevailing at year-end; revenues and expenses are converted at monthly booking rates.

For statutory purposes, the financial statements are translated into CHF at the following rates:

Investments	— at historical rates
Other assets and liabilities	— at year-end rates
Equity	— at historical rates
Income and expenses	— at average rates

Net exchange gains and losses on translation and transactions are recognized in the income statement, except for unrealised gains which are deferred.

(2.2) Investments: Investments are recorded at cost or are written down on a conservative basis, taking into account the profitability of the company concerned.

(2.3) Treasury Shares: Treasury shares are carried at the lower of cost or market.

(2.4) Intangible Assets: The intangible assets are amortized on a straight-line basis over a period between seven and twenty years.

(2.5) Taxation: Provision has been made for all Federal and Cantonal income and capital taxes estimated to be payable on the basis of earnings reported through December 31, 2002.

(2.6) Hedging: The Company uses forward foreign exchange contracts to hedge foreign currency flows and positions, and also uses interest rate swaps to manage the interest rate risk.

(3) Comparative Financial Statements

Certain captions of the 2001 comparative financial statements have been reclassified in order to conform with the presentation used in 2002.

(4) Investments in Subsidiaries

The following is a list of the Company's major investments that remained unchanged since 2001:

Name	Domicile	Activity	Issued share capital		Ownership
S.A. Alcon-Couvreur N.V.	Puurs, Belgium	Manufacturer and Distributor	EUR	4,491,831	99.62%
Alcon Cusi, S.A.	El Masnou (Barcelona), Spain	Manufacturer and Distributor	EUR	11,599,783	100.00%
Laboratoires Alcon S.A.	Rueil-Malmaison, France	Manufacturer and Distributor	EUR	12,579,102	100.00%
Alcon Laboratories (UK) Ltd.	Herts, UK	Distributor	GBP	3,100,000	100.00%
Alcon Pharmaceuticals Ltd.	Hünenberg, Switzerland	Distributor	CHF	100,000	100.00%
Alcon Japan Ltd.	Tokyo, Japan	Distributor	JPY	27,500,000	100.00%
Alcon Laboratories (Australia) Pty. Ltd.	Frenchs Forest, Australia	Distributor	AUD	2,550,000	100.00%
Alcon Canada Inc.	Missisauga, Canada	Distributor	CAD	(Shares with no nominal value)	100.00%
Alcon (Puerto Rico) Inc.	Puerto Rico	Distributor	USD	100	100.00%
Alcon Laboratorios do Brasil Ltda.	Sao Paulo, Brazil	Manufacturer and Distributor	BRL	7,729,167	100.00%
Alcon Laboratorios S.A., de C.V.	Mexico City, Mexico	Manufacturer and Distributor	MXP	5,915,300	100.00%
Trinity River Insurance Co. Ltd.	Bermuda	Insurance Activities	USD	120,000	100.00%
Alcon Hong Kong, Ltd.	Hong Kong	Distributor	HKD	77,000	100.00%
Alcon Pte Ltd.	Singapore	Distributor	SGD	164,000	100.00%
Alcon (China) Ophthalmic Product Co., Ltd.	Beijing, China	Manufacturer and Distributor	USD	1,357,455	100.00%
Alcon Ireland B.V.	Amsterdam, The Netherlands	Manufacturer	EUR	395,696	100.00%
N.V. Alcon Coordination Center	Puurs, Belgium	Finance	EUR	415,000,000	86.16%
Alcon Italia S.p.A.	Milan, Italy	Distributor	EUR	1,300,000	99.00%

The following is a list of the Company's major investments that were changed or newly acquired during 2002:

			December 31, 2002		December 31, 2001	
Name	Domicile	Activity	Issued share capital / Ownership		Issued share capital / Ownership	
Alcon Holdings Inc.	Wilmington, USA	U.S. Sub-Holding				
Common shares			USD	10 / 100.00%	USD	10 / 100.00%
Preferred shares A				—	CHF	15,000 / 100.00%
Preferred shares B				—	CHF	5,000 / 100.00%
Preferred shares C				—	CHF	4,000 / 100.00%
Preferred shares D				—	USD	10 / 79.00%
Alcon Laboratuvarlari Ticaret A.S.	Istanbul, Turkey	Distributor	TRL	17,724,114,600,000 / 100.00%	TRL	11,606,000,000,000 / 85.00%
Alcon Pharma GmbH	Freiburg, Germany	Distributor	EUR	511,292 / 100.00%		—
Alcon Credit Corporation	Hünenberg, Switzerland	Finance	CHF	1,000,000 / 100.00%		—
Alcon Finance PLC	Cork, Ireland	Finance	EUR	38,100 / 100.00%		—

(5) Loans Due from Affiliated Companies

The Company has signed two subordination agreements for loans due from two subsidiaries that amount to CHF 8,591,000 as of December 31, 2002. (2001: CHF 8,416,700).

(6) Share Capital

As of December 31, 2002 the Company's share capital comprises 309,231,699 issued and fully paid registered shares with a nominal value of CHF 0.20 each (2001: 300,000,000 shares).

The General Meeting held on February 25, 2002 resolved that the share capital may be increased in an amount not to exceed CHF 6,000,000 through the issuance of up to 30,000,000 fully paid registered shares with a nominal value of CHF 0.20 per share in connection with the issuance of new shares or options to employees or directors of the Company and group companies.

The Conditional Capital was reduced during the year by 2,165,699 shares due to the conversion of the Phantom Stock Plan into the new Alcon Incentive Plan for personnel, and by 91,000 shares due to the issuance of new shares based on exercises of share options by employees.

As of December 31, 2002 the Conditional Capital amounts to 27,743,301 registered shares at CHF 0.20 each representing a total of CHF 5,548,660.

(7) Legal Reserve

The Company appropriates earnings to a legal reserve in accordance with the provisions of Swiss law. For holding companies such a reserve is, to the extent of 20% of the share capital, not readily available for distribution.

(8) Reserve for Own Shares

During the year a total of 199,532 shares have been acquired at a cost of CHF 11,838,545. These shares will be recorded in the Share Register as being without voting rights and will not rank for dividends.

The total of 199,532 own shares held at December 31, 2002 represents 0.06% of Alcon Inc.'s share capital.

(9) Commitments

The Company is committed to make future minimum payments under non-cancelable patent and know-how licence agreements that amount to approximately CHF 59 million as of December 31, 2002 (2001: approximately CHF 108 million).

(10) Contingent Liabilities

The Company issued guarantees to third parties on behalf of subsidiaries that amount to approximately CHF 11 million (2001: CHF 9 million).

Proposed Appropriation of Available Earnings

According to the proposal submitted by the Board of Directors, the retained earnings of CHF 801,940,321 are to be appropriated as follows:

Dividend for 2002, CHF 0.45 per share on 309,032,167 shares	139,064,475
Dividend for 2002, CHF 0.45 per share on 414,911 shares reserved for the option rights which may be exercised in 2003 prior to the record date for dividend payments (a)	186,710
Balance to be carried forward	662,689,136
	801,940,321

(a) The dividends on those shares for which the option rights will not have been exercised by the date of the dividend payment will be transferred to retained earnings.

The gross dividend amounts to CHF 0.45 per share. After deduction of the federal withholding tax of 35%, a net amount of CHF 0.2925 per share will be payable.

Corporate Information

Corporate Headquarters
Bösch 69
CH-6331 Hünenberg
Switzerland
+41 (41) 785 88 88

Board of Directors
Timothy R.G. Sear, Chairman (3)
Peter Brabeck-Letmathe, Vice-Chairman (1, 5)
Werner Bauer, Ph.D. (2)
Francisco Castañer (2, 6)
Dr. Wolfgang H. Reichenberger (3)
James I. Cash, Jr., Ph.D. (4, 7, 8)
Philip H. Geier, Jr. (1, 4, 5, 6, 7)
Lodewijk J.R. de Vink (2, 4, 5, 6, 7)

(1) Term expires in 2003
(2) Term expires in 2004
(3) Term expires in 2005
(4) Audit Committee
(5) Nominating/Corporate Governance Committee
(6) Compensation Committee
(7) Independent Director
(8) Resigned effective December 31, 2002

U.S. General Office
6201 South Freeway
Fort Worth, Texas 76134
(817) 293-0450

Website
www.alconinc.com

Common Stock
The Company's common stock is listed on the NYSE under the ticker symbol ACL.

Transfer Agent and Registrar
The Bank of New York
620 Avenue of the Americas
New York, New York 10011
www.stockbny.com
www.adrbny.com

Investor Relations
Vice President of Investor Relations
6201 South Freeway
Fort Worth, Texas 76134
(800) 400-8599

Auditors and Group Auditors
KPMG Klynveld Peat Marwick Goerdeler SA
Badenerstrasse 172
CH-8004 Zurich, Switzerland
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Special Auditors
Zensor Auditing Ltd.
Metallstrasse 9
CH-6300 Zug, Switzerland
+41 (41) 711 77 04

Cautionary Note Regarding Forward-Looking Statements This Annual Report contains forward-looking statements, including, but not limited to, statements about the progress of our research and development programs; the receipt of regulatory approvals; competition in our industry; the impact of pending or future litigation; changes in, or the failure or inability to comply with, governmental regulations; the sizes of and growth rates in our markets and our share of them; exchange rate fluctuations; general economic conditions; demographic and other trends affecting the ophthalmic industry and future demand for our products; and our financial condition and results of operations. Words such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "intend," "estimate," "project," "predict," "potential" and similar expressions are intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to uncertainty and known and unknown risks that may cause our actual results, performance or achievements to be materially different from what we expect or what is expressed or implied by our forward-looking statements. You should not place undue reliance on these forward-looking statements, because they represent our estimates and assumptions only as of the date of this report and do not give any assurance as to future results. Factors that might cause future results to differ include, but are not limited to: the production and launch of commercially viable products may take longer and cost more than expected; research and development expenditures may not yield products that achieve commercial success; changes in the competitive environment, third-party reimbursement procedures, the economic environment, conditions in our markets, currency exchange rate fluctuations and other uncontrollable factors; future events with material unforeseen impacts, including, but not limited to, war, natural disasters and acts of terrorism; supply and manufacturing disruptions; the availability of qualified personnel necessary to grow our business; difficulty in protecting our intellectual property rights; pending or future litigation, government regulation or legislation; product recalls or withdrawals; and the occurrence of environmental liabilities arising from our operations. You should read this report completely and with the understanding that we qualify all of our forward-looking statements by these cautionary statements. We undertake no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

Design: Cahan & Associates, San Francisco

Business
Alcon

ALCON ANNOUNCES NEW BUILDING PROJECT

Alcon Laboratories, Inc., last month announced an expansion project which will double the size of its present administration building and provide additional facilities for its growing domestic and international operations.

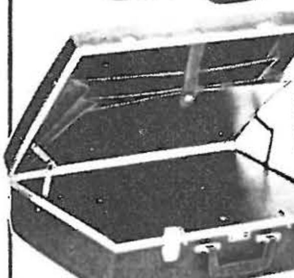
A 19,000 square foot addition, consisting primarily of office space, will be built adjoining the south side of the company's present administration building on the Alcon complex at 6201 South Freeway, William C. Conner, president, announced.

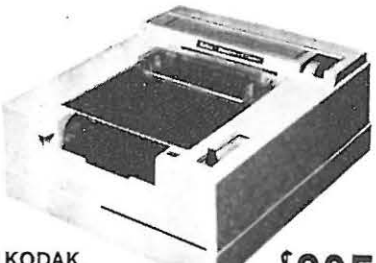
This is Alcon's second major expansion project within the past two years. Last year, the company opened its new Science and Research Center.

The addition to the administration building will provide new ofice space for Alcon's domestic Ophthalmic, Surgical, Pediatric and Optical Divisions and for the company's International Division. The Alcon corporate group will occupy an expanded area in the existing administration building, which will also include provision for a major expansion of the Computer Department, Conner said.

Construction on the new addition is scheduled to begin in the latter part of January, with completion targeted for September 1970. Lawrence D. White Associates are the architects on the project.

Alcon specializes in manufacturing pharmaceuticals for treating diseases of the eye, and also optical and surgical products. It markets these domestically and internationally. In the past year, it also entered the pediatrics field. Subsidiary companies manufacture drugs treating urological disorders and manufacture, import and distribute stainless steel surgical instruments.





Busines
Alcon

EYE CARE

Alcon announces new cataract-removal device

FORT WORTH — Alcon has introduced a cataract-removal device called Infiniti Vision System. The Infiniti is the first surgical instrument that gives surgeons a choice of three methods to remove cataracts: advanced ultrasound, a combination of ultrasound and oscillation, or a new liquefaction device that generates pulses of surgical solution to safely break up and remove tissue. "The Infiniti system is an entirely new surgical platform that we believe will allow Alcon to expand our global leadership position in ophthalmic surgery," said Cary Rayment, senior vice president.

21 April
2003

15 April 2008

HEALTHCARE

Alcon announces plans to build plant in Singapore

The Fort Worth-based eye-care company is hoping for big sales gains in China, India and other parts of Asia.

By MARIA M. PEROTIN
mperotin@star-telegram.com

Fort Worth-based Alcon intends to build a drug-manufacturing plant in Singapore to serve its fast-growing Asian markets, the eye-care company announced Monday.

The company plans to break ground next year and to have the facility up and running by 2012. Executives expect to employ more than 150 workers within three years of starting production.

"Given the rapid growth in this region, this plant is integral to our ability to meet future market demands," Ed McGough, Alcon's senior vice president of global manufacturing and technical operations, said in a statement.

Alcon in Asia: Alcon's drug sales in Asia have grown more than 20 percent in recent years, and executives anticipate significant future growth, especially in India and China, spokeswoman Kat Golden said Monday.

The company produces most drugs for its Asian consumers at its European plants, with its Fort Worth plant doing some of the work. But those facilities wouldn't be able to take on the increased demand from Asia as well as the growth that's anticipated in other parts of the world, she said.

"We were almost at capacity, based on the projections in Asia, so we weren't going to be able to handle it," Golden said.

More on ALCON on 3C

FWS-T

15 April 2008

Alcon: Plant will help meet increasing demand in Asia

CONTINUED FROM 1C

"It made sense to actually build in the region to support the region."

About the plant: Alcon chose the site in Singapore because of the city-state's skilled work force and well-established government infrastructure. It'll lease 20 acres for a 250,000-square-foot facility in a biomedical park that's already home to several other drug companies.

Alcon intends to make several of its major products there, including the glaucoma drug Travatan, the allergy medicine Patanol, Vigamox antibiotic solution, Tobradex for eye infections and Systane eyedrops.

Alcon manufacturing: The company operates manufacturing facilities at 13 sites around the world, including five in the United States. Six of those plants make drugs, while others focus on surgical equipment or other products. At its Fort Worth headquarters, the company has two facilities that make surgical supplies, drugs and consumer products.

Alcon plans to continue to produce drugs for Japanese customers mainly at its European plants, with Singapore serving other Asian markets, Golden said. And none of the existing facilities should see production declines when the Singapore plant gets up to speed.

Alcon manufacturing

Alcon has more than a dozen manufacturing plants, mainly in the United States and Europe. The company makes ophthalmic surgical equipment, drugs, contact-lens solution and other consumer products.

Manufacturing locations:

- Fort Worth
- Houston
- Huntington, W. Va.
- Irvine, Calif.
- Sinking Spring, Pa.
- Orlando, Fla.
- Mexico City
- Sao Paulo, Brazil
- Cork, Ireland
- Puurs, Belgium
- Kayersberg, France
- Schaffhausen, Switzerland
- Barcelona, Spain
- Beijing

MARIA M. PEROTIN, 817-390-7330

Alcon

EYE CARE

Alcon announces plans to buy German maker of optic lasers

The move would strengthen the company in the LASIK market.

By MARIA M. PEROTIN
mperotin@star-telegram.com

12 July 2007

After struggling for years to expand its refractive eye-surgery business, Fort Worth-based Alcon now intends to acquire a small German company that makes faster laser equipment.

The eye-care giant Monday announced plans to buy WaveLight AG in a deal valued at roughly $120 million.

The move would strengthen Alcon's refractive operation — commonly known as LASIK surgery — and enable the company to sell WaveLight's gear in the United States and abroad.

More on ALCON on 6C

New CFO named

An executive from Alcon's parent company, Nestle, has been selected as the ophthalmology company's new chief financial officer.

Richard Croarkin, who now serves as CFO of a Nestle unit that sells bottled water, will start Aug. 1.

Croarkin

He replaces Jacqualyn Fouse, who is leaving Alcon after five years to take a similar position at New York-based agribusiness giant Bunge Ltd.

Croarkin, who joined Nestle Waters North America in 1994, previously worked for Pepsico Inc. and has held executive positions around the world.

"Alcon has had an enviable record of performance since its IPO, and I am looking forward to the opportunity to help the company continue this success into the future," Croarkin said in a statement released Monday.

— *Maria M. Perotin*

Alcon: Company has struggled to gain share in competitive refractive market

CONTINUED FROM 1C

Alcon, which controls about 12 percent of the U.S. market for refractive surgery equipment, expects to raise its share to "the high teens" with the WaveLight acquisition.

"That is a better place for us to grow from," said Doug MacHatton, Alcon's vice president for investor relations.

Growth has not come easily for Alcon's refractive laser business.

The company entered the sector after competitors had already gotten a significant jump-start. Refractive equipment accounts for 1 percent of Alcon's global business, producing $51.7 million in sales in 2006.

Sales of the company's LadarVision system have fallen short of rival products, such as the technology sold by California-based market leader Advanced Medical Optics.

In February, the federal Food and Drug Administration recalled a component of Alcon's Ladar6000 device, effectively rendering the laser useless to doctors for certain customized surgeries.

Although industry watchers expect Alcon to overcome that regulatory hurdle, the setback left Alcon in "a sticky position," said David Harmon, a Missouri analyst who tracks the laser eye-surgery business.

"It's hard to sell new lasers when your latest, greatest model can't do custom," Harmon said. "It's really put them in a bad position in the market."

WaveLight, meanwhile, has been outselling all other laser manufacturers for the past two years outside the United States, he said. But the German company has only a small presence in the U.S., where surgeons typically pay lucrative per-procedure fees that make the business much more profitable here.

The combination of Alcon's muscle and WaveLight's technology may prove important to Alcon even beyond the refractive business, Harmon said. That's because it could make it harder for rivals to parlay LASIK sales into a toehold in eye doctors' offices, where they'd love to nab a piece of Alcon's larger product lines — surgical equipment, drugs and consumer products.

"Strategically, it's very important, I think, for Alcon to have competitive products in all areas," Harmon said. "That's kind of their whole business plan is to be the leader in ophthalmology."

Alcon's MacHatton said the company is especially eager to offer WaveLight's Allegretto laser to surgeons who specialize in treating both cataract sufferers and LASIK patients. The Allegretto works about four times more quickly than Alcon's top model.

Those high-volume doctors are integral to Alcon's ongoing efforts to promote its latest generations of higher-priced artificial lenses to cataract patients.

"That's a key customer group for us, and we felt it was important for us to have a refractive offering that was highly attractive to them," MacHatton said.

Alcon expects the WaveLight acquisition to be completed in about four months.

Its bid includes a price of 10 euros per WaveLight share, as well as the assumption of various liabilities — bringing the total cost to 80 million to 90 million euros, MacHatton said.

Alcon shares (ticker: ACL) closed up 39 cents Monday at $143.38 on the New York Stock Exchange.

MARIA M. PEROTIN, 817-390-7339

Buenn
Alcon

EYE CARE

12 Feb 2009

Alcon axes 125 Fort Worth jobs

Alcon, which has about 2,800 workers in Fort Worth, has long been one of the community's largest, most stable employers. STAR-TELEGRAM ARCHIVES

But CEO cites another 'solid performance' for quarter

By **MARIA M. PEROTIN** mperotin@star-telegram.com

Alcon is laying off 260 employees worldwide as the ailing U.S. economy and international currency fluctuations continue to take a toll on the eye-care giant's sales growth.

The Fort Worth-based company, which makes pharmaceuticals, surgery equipment and consumer products, reported fourth-quarter revenue Wednesday of $1.5 billion. That marked a 1.9 percent increase, a meager gain for a business that for years has been accustomed to double-digit sales growth.

Excluding the effect of currency changes and an acquisition, Alcon's sales growth would have been 6.4 percent.

Profit for the quarter was $423.6 million, up from $376.5 million.

"From my perspective, Alcon again had a solid performance, not only for the fourth quarter but 2008 — despite what we saw in the second half of an increasingly challenging market," Alcon Chief Executive Cary Rayment said Wednesday. "We feel that we continued to outperform our competition."

Even so, the company is cutting expenses and reducing about 1.5 percent of its work force to focus on developing new products and on doing business in emerging markets, such as China and India, he said.

"We've got to ensure that we continue to have the resources to allocate to those opportunities,"

More on ALCON on 2C

Alcon: Eye-care company is still strong, analyst says

CONTINUED FROM 1C

Rayment said.

"And if there are markets that are slowing, then of course we have to look at that."

Alcon notified workers Wednesday morning of the job cuts, which were felt the hardest at the headquarters.

Of the 260 affected employees, 125 are in Fort Worth, 45 are elsewhere in the United States and the rest are in other countries.

"It was a very difficult day for us, as you might expect," Rayment said.

Alcon, which has about 2,800 workers in Fort Worth, has long been one of the community's largest, most stable employers. The company consistently ranks among *Fortune* magazine's "100 best companies to work for," and its local work force had grown steadily in recent years.

Wednesday's job cuts marked one of the few times in the company's history when employees have been eliminated on a significant scale. There was a round of belt-tightening in the 1990s, said Doug MacHatton, Alcon's vice president for investor relations. And the company shut down an Orlando, Fla., manufacturing facility about a year ago.

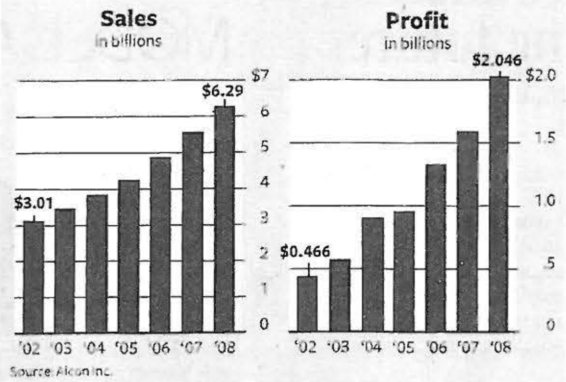
"It's still something we haven't done a lot of, and we hope not to have to do a lot of," MacHatton said.

Jeff Viksjo, an analyst at Morningstar who follows Alcon, said the company is grappling with weak drug sales, a strong dollar that "artificially hits their bottom line" and the economic uncertainty that's plaguing so many businesses.

"This might be a reaction to that. Trying to position the business potentially to handle lower profits, lower revenue. To position the business for next year, which looks murky for all firms, not just Alcon," Viksjo said.

Alcon's financial performance

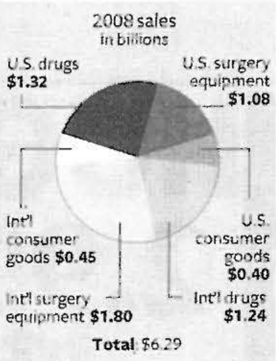
12 Feb 2009



Source: Alcon Inc.

STAR-TELEGRAM

Alcon's sales



Source: Alcon Inc.

STAR-TELEGRAM

Still, Alcon remains a strong company with lots of cash, Viksjo said. And many of its products, such as cataract surgery equipment, are well-insulated from economic pressures because sales don't depend heavily on out-of-pocket spending by individual consumers.

Kevin Buehler, the senior vice president who's slated to replace Rayment as Alcon's chief executive in April, said the company continues to benefit from its broad array of products and its operations in dozens of countries. But during the fourth quarter, U.S. pharmaceutical sales remained weak, cataract procedures dipped, and growth slowed in some international markets.

Alcon also suffered from economic conditions beyond its control.

The company collects its revenues in an array of currencies, and its bottom line benefits from a weak U.S. dollar. So the dollar's current strength has dampened Alcon's results.

Despite that, Buehler expects sales to increase this year and predicts that Alcon will boost its share of the ophthalmology market.

"We believe those products are going to continue to have strong levels of demand," he said. "Even if we see slowing in these categories, which is realistic in this environment, we're going to still participate in real organic growth."

Terry Clower, associate director of the Center for Economic Development at the University of North Texas, said Alcon's weakening performance is unlikely to have much of a ripple effect throughout the Fort Worth area, where consumer confidence is already reeling.

Although the job cuts are terrible for individual displaced workers, they also send a signal that Alcon is responding to the economic turmoil, Clower said.

"Part of the psychology of the market at this point is that the investors are, in some respects, kind of expecting companies to be announcing some cutbacks and ways to save money," he said. "If you don't, you may not be seen in the marketplace as doing enough to deal with these current economic conditions."

MacHatton said displaced workers will receive severance packages that include an additional two months on the payroll, a regular amount of payments based on their years of service, some extra cash to offset the price of health benefits, and outplacement services.

MARIA M. PEROTIN, 817-390-7339

About Alcon

Headquarters: Incorporated in Switzerland, with headquarters at 6201 South Freeway, Fort Worth.

Stock: Trades on the New York Stock Exchange as ACL. Closed Wednesday at $82.99, up 1 cent.

History: Founded in 1945 as a small Fort Worth pharmacy. Acquired by Nestle in 1978 and partially spun off in 2002. A deal reached last year between Nestle and drugmaker Novartis AG is expected to make Novartis the company's majority shareholder by 2011.

Leadership: Kevin Buehler, who now is chief marketing officer, will become president and chief executive April 1. He'll replace Cary Rayment, who has been at the helm since 2004.

Work force: About 15,000 employees worldwide, including roughly 2,800 workers in Fort Worth.

Business areas: Eye-surgery equipment, prescription eye-care drugs and consumer products.

Key products: Infiniti system used by cataract surgeons; AcrySof line of artificial lenses; Travatan glaucoma treatment; Pataday and Patanol, for eye allergies; Vigamox antibiotic solution; Opti-Free contact-lens solution; Systane lubricant eyedrops.

Online: www.alcon.com

5-27-00

Alcon buying maker of eye laser tools

The popularity of eye surgery makes it a logical deal.

5-27-00

By Sarah Lunday
Star-Telegram Staff Writer

FORT WORTH — Alcon Laboratories, a global eye-products producer based in Fort Worth, agreed yesterday to buy a small Massachusetts competitor for $893.6 million, allowing Alcon to enter the fast-growing laser eye-surgery market.

Alcon, which is a unit of Swiss food giant Nestle, said it would pay $19 a share for Summit Autonomous of Waltham, Mass. That represents a 50 percent premium over Summit's closing stock price Thursday, and the stock soared yesterday to $18.50 — up $5.81 on the Nasdaq stock market.

Alcon, which had $2.4 billion in sales last year, dwarfs Summit, which had $111 million in sales. But Summit is the No. 2

(More on ALCON on Page 21A)

ALCON

From Page 1A

maker of eye lasers, and the purchase fills a wide gap in Alcon's ophthalmology product line. More than 1.3 million laser eye surgeries are expected this year, and Alcon has been trying to get into the business for years.

Alcon "looked at it and said they couldn't afford to stand on the sidelines," said Al Kildani, analyst for Pacific Growth Equities in San Francisco.

Summit is a pioneer developer, manufacturer and marketer of ophthalmic laser systems. It has about 440 employees.

"Alcon has long been committed to entering the strategically critical refractive surgical market," company President Tim Sears said in a news release that announced the sale.

Summit Chief Executive Robert Palmisano said in the joint release that the purchase is a tribute to Summit.

"I believe these two companies will combine into a powerhouse organization that will deliver leading edge products to customers around the world," he said.

Alcon and Summit executives declined to make themselves available to comment after the announcement.

Other information is sketchy. Alcon did not say whether it will transfer any Summit operations to Fort Worth.

Spokeswoman Mary Dulle said Alcon will not reduce the 2,500 employees in its Fort Worth operations as a result of the acquisition. She said she didn't know if the purchase will mean an increase in Fort Worth employment.

The companies said their boards unanimously approved the purchase. It is subject to regulatory approval.

Kildani said the purchase will change the landscape of the laser surgery industry, which has been controlled by small companies with limited distribution ability.

"Alcon is a huge player, and they're bringing significant distribution muscle to an industry that has long been made up of small companies," Kildani said.

The industry, expected to grow at an annual rate of 30 percent, earns its income from sales and manufacturing. Laser surgery machines sell for up to $500,000, and the manufacturer also receives a fee, generally about $200, for each procedure performed on the machine.

Summit, founded in 1985, is the first laser company to receive FDA approval for its product to correct mild and moderate nearsightedness. And in 1999 it became the first commercial manufacturer to receive approval for the popular Lasik surgery.

But Summit fell behind Visx, a manufacturer in Santa Clara, Calif., that had 70 percent of the market. Last year, Summit bought the smaller Autonomous Technologies for $224 million, which gave it the new technology it needed to compete.

Summit took a $3 million charge on integrating Autonomous and restructuring its operations in the first quarter this year. Summit reported revenues of $32 million in the first quarter, with a $12.3 million loss.

Charles Olsziewski, a senior vice president in research for the PaineWebber investment firm in Minneapolis, said Summit is expected to make a profit during the second half of this year. It lost $23 million last year.

Olsziewski called Alcon's offer for Summit a "pretty rich valuation." But he said the purchase price is probably worth it to Alcon.

"It's not uncommon for high-technology medical device companies to be bought at multiples of six or seven times" last year's revenue, he said. Alcon is paying eight times Summit's 1999 revenue.

Alcon was founded in Fort Worth in 1947 and employs more than 10,000 worldwide.

Sarah Lunday, (817) 390-7064
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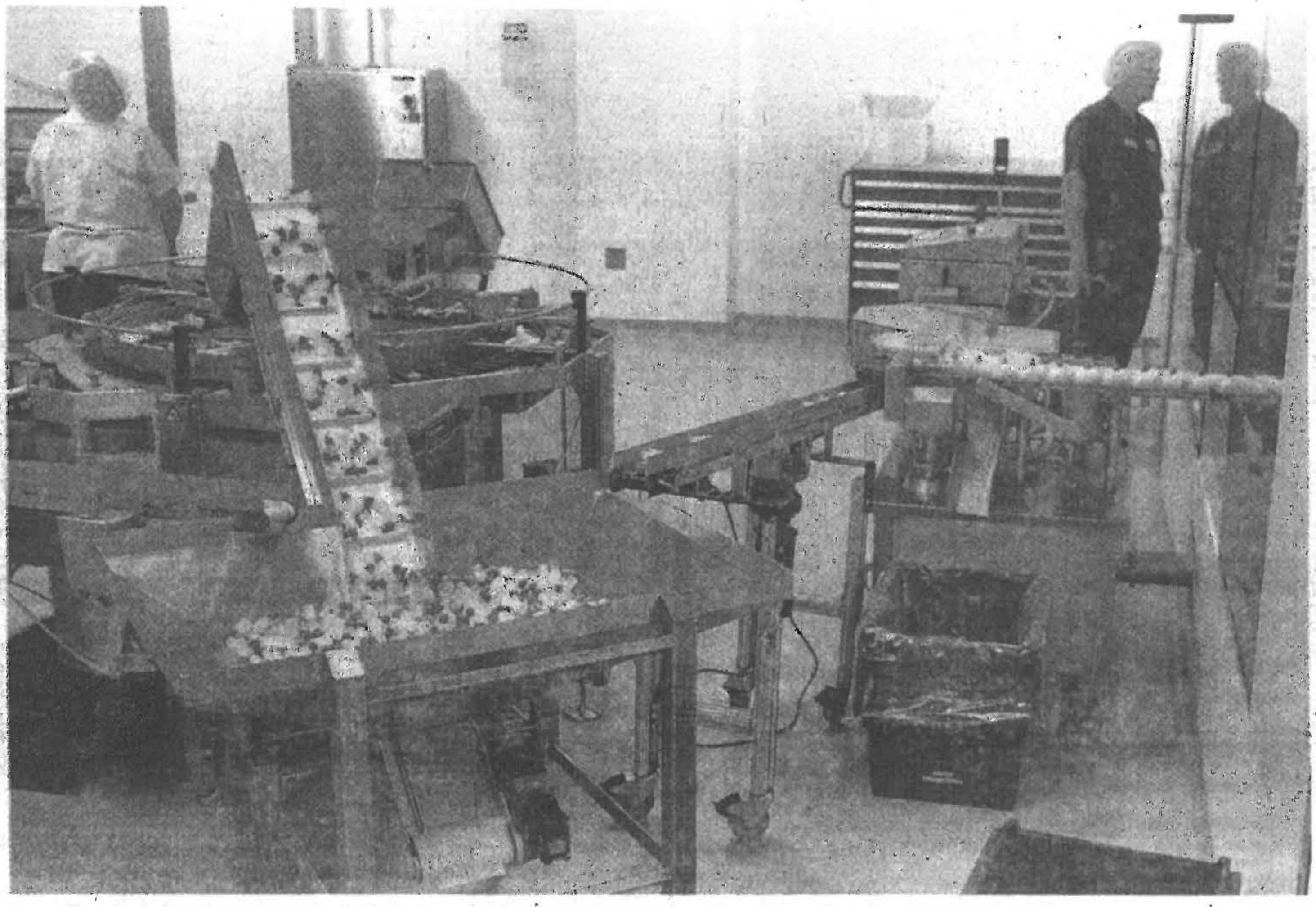
Alcon celebrates 50 years

30 Aug 2009

The eye-care company continues to roll at its south-side plant, while adding manufacturing facilities to meet worldwide demand



A manufacturing line at Alcon Laboratories inside the Aspex building across the street from the main manufacturing center in Fort Worth. STAR-TELEGRAM/KELLEY CHINN

By DIANNA HUNT dhunt@star-telegram.com

The little bottles roll easily along the assembly line, their pink or purple tops or signature green labels whipping along at a rapid clip.

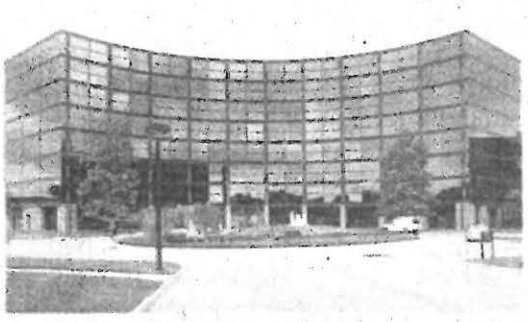
The patented bottles, known as Drop-Tainers, have moved along conveyor belts at Alcon Laboratories since the 1950s, when they were invented to carry a handful of sterile solutions to thousands of consumers with eye infections, allergies and other ophthalmic problems.

Today, as Alcon Laboratories celebrates 50 years of manufacturing at its south Fort Worth headquarters, more than 150 million of the bottles are shipped a year, carrying prescription medication for treating glaucoma, infections and other eye disorders, and millions more containers are shipped out carrying over-the-counter solutions for allergies, dry eyes or contact lenses.

Where once women with hair covers packed boxes by hand for distribution, now nearly 1,000 workers, some in special suits in sealed rooms, prepare and fill the containers to be shipped across the nation and internationally.

More on ALCON on 3D

An undated photo of an early Alcon facility. The company is celebrating its 50th anniversary. COURTESY OF ALCON



Alcon's headquarters at Interstate 35W and Altamesa Boulevard in south Fort Worth. STAR-TELEGRAM/KELLEY CHINN

Workers at Alcon in an undated photo. The company now employs 15,000 worldwide. COURTESY OF ALCON

Alcon employee Clate Russell prepares bottles on a manufacturing line. STAR-TELEGRAM/KELLEY CHINN

Company history

1945 Pharmacists Robert Alexander and William Conner create Alcon Prescription Laboratory in Fort Worth.

1947 Alcon Laboratories is incorporated with Conner as president and begins manufacturing specialty products, including vitamins and oral products, using a blender and a pressure cooker at 1109 Main St.

By 1950 Alcon has introduced its first two ophthalmic products: Ophthalzin for eye infections and Zincfrin for red, itchy eyes.

1953 Alexander and a West Texas physician create and patent the Drop-Tainer bottle, now a standard for dispensing eye-care products.

1959 Opens new headquarters and manufacturing facility on Altamesa Boulevard in south Fort Worth, and also opens its first international office, in Canada.

1969 Surgical division is formed.

1971 Goes public with a listing on the New York Stock Exchange, with sales of $31 million.

1972 Ed Schollmaier, an employee since 1958, takes over as president.

1978 Swiss food company Nestle ac-

More on TIMELINE on 3D

Alcon: Company has felt the effects of the downturn, laying off 260 worldwide

30 Aug

CONTINUED FROM 1D

They are among about 3,400 employees at Alcon's Fort Worth facility and more than 15,000 worldwide who work to put the company's products in the hands of consumers, particularly in fast-growing Asian markets.

Throughout the years, as manufacturing jobs have declined in Fort Worth and across the country, Alcon has remained a quiet but steady employer.

The Fort Worth plant and headquarters have expanded even as the company built a global presence with other plants around the globe.

"We are proud of the progress we have made over the past 50 years," said Dave Schoening, vice president of the Fort Worth site's north manufacturing facility, which handles large-volume products.

"As our global business has grown, we have continued to expand our operations and improve efficiencies here in Fort Worth in order to best serve the global community in preserving, restoring and enhancing eyesight — all while keeping and growing jobs here in North Texas for over 50 years."

Building a business

Alcon Prescription Laboratory was formed in 1945 by Fort Worth pharmacists Robert Alexander and William Conner — hence the name, Alcon — and operated from a small building in downtown Fort Worth that featured one of the area's first drive-through windows.

The products were made at night, when the pharmacy was closed, using a blender and a pressure cooker, according to Alcon files.

In 1947, the pair formed Alcon Laboratories and began manufacturing specialty products including injectable

Quality assurance lab technician Cindy Dewberry has worked at Alcon since 1977, and materials manager Don Carpenter has been there since 1974. STAR-TELEGRAM/KELLEY CHINN

About Alcon

Headquarters: Incorporated in Switzerland, with headquarters at 6201 South Freeway, Fort Worth.
Finances: 2008 sales of $6.3 billion, net income of $2 billion, up 29 percent. Global sales reached $1.68 billion for the quarter ending in June, net earnings increased 2.6 percent.
Stock: Trades on the New York Stock Exchange as ACL.
Leadership: Kevin Buehler, formerly the company's chief marketing officer, became president and chief executive this year, replacing Cary Rayment, who had been at the helm since 2004.
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Business areas: Eye-surgery equipment, prescription eye-care drugs and consumer products.
Key products: Infiniti system used by cataract surgeons; AcrySof line of artificial lenses; Travatan glaucoma treatment; Pataday and Patanol, for eye allergies; Vigamox antibiotic solution; Opti-Free contact-lens solution; Systane lubricant eyedrops.
Online: www.alcon.com

Alcon manufacturing

Alcon has 12 manufacturing plants, including five in the United States, with another under construction in Singapore. The company makes ophthalmic surgical equipment, drugs, contact-lens solution and other consumer products. The locations are:

United States
- Fort Worth
- Houston
- Huntington, W.Va.
- Irvine, Calif.
- Sinking Spring, Pa.

Latin America
- Mexico City
- Sao Paulo, Brazil

Europe
- Cork, Ireland
- Puurs, Belgium
- Kaysersberg, France
- Schaffhausen, Switzerland
- Barcelona, Spain

Asia
- Singapore (to open in 2012)

Source: Alcon Laboratories

flood in 1949, and the men had

Mixing by hand

Don Carpenter started

er the years, the underlying concept hasn't changed much, he said.

"It's like a recipe," he said. "You take and mix it all together."

Carpenter started work just a month after he graduated from college, and he's been there ever since. Now, 35 years later, he is Alcon's longest-tenured manufacturing employee.

He met his wife at Alcon — her mother worked there — and his son, Will Carpenter, is an Alcon employee, in professional relations.

Don Carpenter has also worked as a supervisor and in research and development and was manager of exports before being recently named materials manager for a new Alcon plant under construction in Singapore. The plant will serve Asian markets, where demand for Alcon products is growing.

"Those are the big emerging markets," Carpenter said. "It's a little more difficult to get the products delivered."

Cindy Dewberry is just a few years behind Carpenter in tenure in the manufacturing division.

She, too, started work at Alcon just out of college, in 1977. She had been doing an internship at St. Joseph's Hospital when one of the technicians brought her a classified ad from the *Star-Telegram* listing the Alcon job opening.

"He said, 'You should do this. This is a great company,'" she said. "That was the best decision I have ever made."

She started as a quality assurance lab technician, working in the chemistry department to test samples of the solutions.

When she first started, the compounders would bring samples for her to test, which she did largely by hand.

Today, she still works in quality assurance but with far different technology. Each

Looking ahead

Today, Alcon is the world's leading eye-care company, with sales of $6.3 billion in 2008. The company produces eye-surgery equipment, its AcrySof intraocular lenses for cataract surgery, treatments for glaucoma and eye and ear infections, and over-the-counter consumer products. A new treatment for nasal allergies, Patanase, hit the market in 2008, and Alcon researchers continue to work to develop future treatments.

But the company hasn't been immune to the worldwide economic woes. Sales projections were downgraded last year, after consumers began cutting back on the money they spent on surgeries and medications. This year, the company laid off 260 employees worldwide, including about 125 in Fort Worth.

Just recently, the company announced that it was abandoning the study of a drug that had failed to meet expectations as a possible treatment for age-related macular degeneration and glaucoma.

Still, the company is expected to reach its targets this year, and was credited in part for parent corporation Nestle's rise in profit margins in the first half of the year.

It continues to build global demand, particularly in Asia, and is continuing to expand worldwide.

Alcon operates manufacturing facilities at 12 locations around the world, with five in the United States, including one in Houston. In Fort Worth, the company has two manufacturing plants that make surgical supplies, pharmaceuticals and consumer products.

Construction is under way in Singapore for a new plant expected to open in 2012. Products for Asia are now shipped largely from European plants, although some are produced in Fort Worth.

Those plants are operating

Timeline

CONTINUED FROM 1D

quires Alcon, providing capital to accelerate growth.
1982 The William C. Conner Research Center is established, allowing Alcon to expand its research into treatment of ocular diseases and disorders.
1988 Acquires Sharpoint to expand into ophthalmic cutting instruments, with a manufacturing facility in Sinking Spring, Pa.
1989 Buys CooperVision Surgical, a move that forms the leading ophthalmic surgical company in the world.
1990 Irvine Technology Center opens for the development of ophthalmic instrumentation.
1994 The FDA approves the AcrySof intraocular lens, now one of the most frequently implanted lenses in the world.
1997 Introduces Patanol for the treatment of allergic conjunctivitis.
1997 Tim Sear becomes the company's third president and CEO.
2000 Acquires Summit Autonomous and Gireshaber to enter the refractive laser market and introduces Opti-Free Express, a contact lens disinfectant.
2001 Introduces Travatan for treating glaucoma.
2002 Nestle takes Alcon public, selling about 25 percent of its shares.
2003 Launches several flagship products, include Systane for dry-eye symptoms, Vigamox for "pink eye" treatment, Ciprodex for ear infections and the AcrySof Natural intraocular lens.
2004 Cary Rayment is named fourth president and CEO.
2005 Launches its AcrySof ReSTOR intraocular lens.
2007 Introduces the Pataday ophthalmic solution, a once-a-day prescription for treating itchy eyes.
2008 Launches the company's first nasal product, Patanase to treat nasal allergies

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The products were made at night, when the pharmacy was closed, using a blender and a pressure cooker, according to Alcon files.

In 1947, the pair formed Alcon Laboratories and began manufacturing specialty products, including injectable vitamins and oral products, from a building at 1109 Main St, south of downtown. The first manufacturing line was just a few inches from a small compounding table where the solutions were measured and mixed.

By the mid-1950s, Alexander and Conner were looking for a better location.

The pharmacy was inundated by Fort Worth's historic flood in 1949, and the men had decided that they needed a new site on higher ground, according to historical accounts. They settled on a site near what is now Interstate 35W and Altamesa Boulevard, known as "the hill" for its elevation. They bought the land for $93,000.

The new facility opened in early 1959.

Sales that year were approximately $2 million.

Quality assurance lab technician Cindy Dewberry has worked at Alcon since 1977, and materials manager Don Carpenter has been there since 1974. STAR-TELEGRAM/KELLEY CHINN

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Europe
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- Puurs, Belgium
- Kaysersberg, France
- Schaffhausen, Switzerland
- Barcelona, Spain

Asia
- Singapore (to open in 2012)

Source: Alcon Laboratories

Mixing by hand

When Don Carpenter started work at Alcon on July 1, 1974, he was one of two compounders who mixed the solutions the company bottled and sold to consumers.

Today, about 50 compounders form the mixtures that are sent to 15 manufacturing lines to be placed in bottles or bags and distributed to consumers. Although new mixtures have been added over ... ured manufacturing employee.

He met his wife at Alcon — her mother worked there — and his son, Will Carpenter, is an Alcon employee, in professional relations.

Don Carpenter has also worked as a supervisor and in research and development and was manager of exports before being recently named materials manager for a new Alcon plant under construction in Singapore. The plant will serve Asian markets, where demand for Alcon products is growing.

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She started as a quality assurance lab technician, working in the chemistry department to test samples of the solutions.

When she first started, the compounders would bring samples for her to test, which she did largely by hand.

Today, she still works in quality assurance but with far different technology. Each batch is still tested individually, but machines that were once cranked and calibrated by hand are now computerized, and speed and accuracy have increased sharply.

She also met her husband, David, a compounder at Alcon, and they've been married 21 years. "This is a wonderful company," she said. "I'm very loyal to this company."

new treatment for nasal allergies, Patanase, hit the market in 2008, and Alcon researchers continue to work to develop future treatments.

But the company hasn't been immune to the worldwide economic woes. Sales projections were downgraded last year, after consumers began cutting back on the money they spent on surgeries and medications. This year, the company laid off 260 employees worldwide, including about 125 in Fort Worth.

Just recently, the company announced that it was abandoning the study of a drug that had failed to meet expectations as a possible treatment for age-related macular degeneration and glaucoma.

Still, the company is expected to reach its targets this year, and was credited in part for parent corporation Nestle's rise in profit margins in the first half of the year.

It continues to build global demand, particularly in Asia, and is continuing to expand worldwide.

Alcon operates manufacturing facilities at 12 locations around the world, with five in the United States, including one in Houston. In Fort Worth, the company has two manufacturing plants that make surgical supplies, pharmaceuticals and consumer products.

Construction is under way in Singapore for a new plant expected to open in 2012. Products for Asia are now shipped largely from European plants, although some are produced in Fort Worth.

Those plants are operating near capacity, so no local production declines are expected from the opening of the Singapore plant, officials said.

"We're just running continuously, three shifts," said Paul Richard, production manager at the south manufacturing plant in Fort Worth. "We run, stop, clean, and run again."

DIANNA HUNT, 817-390-7084

expand into ophthalmic cutting instruments, with a manufacturing facility in Sinking Spring, Pa.
1989 Buys CooperVision Surgical, a move that forms the leading ophthalmic surgical company in the world.
1990 Irvine Technology Center opens for the development of ophthalmic instrumentation.
1994 The FDA approves the AcrySof intraocular lens, now one of the most frequently implanted lenses in the world.
1997 Introduces Patanol for the treatment of allergic conjunctivitis.
1997 Tim Sear becomes the company's third president and CEO.
2000 Acquires Summit Autonomous and Gireshaber to enter the refractive laser market and introduces Opti-Free Express, a contact lens disinfectant.
2001 Introduces Travatan for treating glaucoma.
2002 Nestle takes Alcon public, selling about 25 percent of its shares.
2003 Launches several flagship products, include Systane for dry-eye symptoms, Vigamox for "pink eye" treatment, Ciprodex for ear infections and the AcrySof Natural intraocular lens.
2004 Cary Rayment is named fourth president and CEO.
2005 Launches its AcrySof ReSTOR intraocular lens.
2007 Introduces the Pataday ophthalmic solution, a once-a-day prescription for treating itchy eyes.
2008 Launches the company's first nasal product, Patanase spray, to treat nasal allergies.
2008 Novartis acquires 25 percent stake in Alcon from Nestle, becoming second-largest shareholder; gains right to buy remaining 52 percent ownership from Nestle, beginning next year.
2009 Kevin Buehler is appointed Alcon's fifth president and CEO.

Source: Alcon Laboratories

EXECUTIVES

Alcon CFO going to Bunge

The executive says her new employer has "tremendous growth potential."

By SANDRA BAKER
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Jacqualyn Fouse, chief financial officer at Alcon for the past five years, will leave the company next month for the same position at agribusiness giant Bunge Ltd., based in White Plains, N.Y., the companies said Tuesday.

"Serving as CFO of Bunge will provide the opportunity to make a substantive contribution to an industry leader that has tremendous growth potential," Fouse said in a news release.

She starts work at Bunge on July 23, the company said.

Fouse, 46, a Duncanville native, earned two economics degrees from the University of Texas at Arlington.

She first joined Fort Worth-based Alcon as a financial analyst in 1986. In 1993, she moved to Switzerland as assistant controller for the pharmaceutical and cosmetics group of Nestle, then Alcon's corporate parent. In 2001, she became CFO of Swissair Group. She rejoined Alcon in 2002. This month, she was among 19 executives and consultants acquitted of charges related to the collapse of Swissair, where she worked from July 2001 to May 2002.

Bunge is a leading agribusiness and food company that makes fertilizer, animal feed, and bottled oils, mayonnaise and margarines, according to its Web site. It has 22,000 workers at 450 facilities in 32 countries.

> "Jackie's international experience as CFO and treasurer of global companies such as Alcon and Nestle makes her a valuable addition.
>
> **Alberto Weisser,** Bunge's CEO

"Jackie's international experience as CFO and treasurer of global companies such as Alcon and Nestle makes her a valuable addition," Bunge's Chief Executive Alberto Weisser said in the statement.

Bunge Edible Oil Co. — a part of St. Louis-based Bunge North America, owned by Bunge Ltd. — has a plant in the Carter Industrial Park off Interstate 35W in south Fort Worth; it moved there last year from a 30-acre site in the Stockyards, where it had been since 1980.

SANDRA BAKER, 817-390-7727

SWITZERLAND

Alcon CFO is charged in Swissair bankruptcy

1 April 2006

STAR-TELEGRAM ARCHIVES

Jacqualyn Fouse was the CFO of Swissair Group from July 2001 to May 2002, Alcon says.

BLOOMBERG NEWS

Alcon, the world's biggest eye-care company, said Chief Financial Officer Jacqualyn Fouse was one of 19 people charged by Swiss prosecutors Friday for their roles in the bankruptcy of the national airline in 2001.

Also charged were Philippe Bruggisser and Mario Corti, former Swissair Group chief executive officers.

Among the charges filed by prosecutors are dishonest management and falsifying documents.

The carrier filed for bankruptcy protection in October 2001 after racking up debt of $13 billion, Switzerland's biggest corporate failure.

Fouse served as chief financial officer of Swissair Group from July 2001 to May 2002, Alcon said Friday, according to a filing with the U.S. Securities and Exchange Commission.

She told Alcon's management and board she plans to plead not guilty, the filing said. The charges don't relate to Alcon, which Fouse joined in July 2002.

Attempts to reach Fouse and Alcon after business hours were unsuccessful. Doug MacHatton, a spokesman for Alcon's U.S. headquarters in Fort Worth, didn't immediately return a telephone call.

"The case is very important from an emotional point of view," said Roland von Bueren, a professor at the Institute for Economic Law at the University of Bern. "Swissair carried the Swiss national emblem" and its collapse was "considered a failure of the Swiss nation. People will say finally someone is moving against those responsible for the grounding."

Ernst & Young published a report in January 2003 saying management and the board pursued a "careless" expansion strategy and approved accounts that contained "grave errors."

Bue
Alcon

BRIEFS

Alcon claims patent infringement

Fort Worth-based Alcon Inc., the world's biggest eye-care company, sued Synergetics USA Inc., claiming infringement of a patent used for laser delivery during eye surgery. In the suit filed this week in federal court in Fort Worth, Alcon also accused Synergetics, a maker of laser probes, of violating its trademarks for its Alcon, Accurus and Grieshaber products. Alcon is seeking an order stopping Synergetics' actions and for unspecified damages. "By using plaintiffs' federally registered trademarks without authorization and in a manner that created confusion and deception, defendants will derive an unfair competition advantage and will continue to put plaintiffs' business reputation and goodwill at risk," Alcon lawyers wrote in the complaint. Representatives from O'Fallon, Mo.-based Synergetics didn't immediately return a call seeking comment. — *Bloomberg News*

Chesapeake to cut West Virginia jobs

Natural gas producer Chesapeake Energy said Thursday that it will eliminate a majority of the 225 jobs at its West Virginia regional office, shifting a substantial number of positions back to its home state of Oklahoma. About 40 people are expected to remain in Charleston. Chesapeake said the change is meant to accelerate development from the Marcellus shale gas find, which runs through states in the Midwest and Northeast, but Chief Executive Aubrey McClendon also blamed the West Virginia Supreme Court. The state's lone appellate court refused to review a $404 million verdict awarded to landowners in a royalties dispute last year. Officials said no cuts are expected in North Texas. — *The Associated Press*

Business
Alcon

HEALTHCARE

Alcon drug is shelved after weak study data

The decision to discontinue development of anecortave acetate will free up funds for other projects.

3 July 2009

By DIANNA HUNT
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Eye-care giant Alcon Laboratories is shelving a long-studied drug that initially had been considered promising for treating age-related macular degeneration and glaucoma.

The drug, which would have been injected into the eye once every three months, had been seen as a way to treat glaucoma and help patients avoid a regimen of eyedrops, the more typical treatment. Results from the latest studies, however, were insufficient to justify continuing study.

"The search for alternative delivery routes and new mechanisms of action against glaucoma remain among Al-

More on ALCON on 2C

Alcon: Glaucoma efforts will continue, exec says

CONTINUED FROM 1C

con's most important research strategies," said Sabri Markabi, senior vice president of research and development, in a statement. "We will continue our efforts to address the issues of efficacy, patient compliance and other unmet medical needs in the treatment of glaucoma in concert with leading independent researchers around the world."

Discontinuing development of anecortave acetate will free up research and development funds for more promising projects, said Doug MacHatton, Alcon vice president for investor relations and strategic communications.

Alcon, based in Fort Worth, had originally developed anecortave acetate as a treatment for age-related macular degeneration. But the drug produced disappointing clinical results in a 2004 study and failed to win federal approval as a treatment for that illness. Macular degeneration is a leading cause of blindness among older Americans. Alcon proceeded with studies to determine whether the drug could be used to reduce pressure associated with glaucoma.

Alcon shares (ticker: ACL) declined $1.86 Thursday to close at $116.03.

DIANNA HUNT, 817-390-7084

Business
Alcon

Alcon earnings up 47% in 1st quarter

21 April 2004

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

HEALTH The eye-care company continues to increase sales and boost profit.

Alcon's earnings soared almost 47 percent to $191 million in the first quarter, led by robust sales of its prescription drugs around the world.

The Fort Worth eye-care giant's sales of drugs, surgery equipment and consumer products climbed 13 percent over the same period of 2003, excluding the effect of currency fluctuations. Pharmaceutical sales grew fastest, at more than 25 percent.

Overall, the profit amounted to 61 cents per share for Alcon, which released its financial results after the stock market closed Tuesday. That compares with 42 cents per share for the first quarter of 2003.

"Sometimes, everything goes well for you. And real-

More on HEALTH on 3C

HEALTH

Continued from 1C

21 April

ly, we had an abundance of good performance," Chief Executive Tim Sear said Tuesday.

Sear credited much of the success to brisk sales of products that Alcon launched last year.

For example, Alcon's sales of intraocular lenses, which are used to treat cataracts, grew almost 21 percent — in large part because of gains made by the latest version of its AcrySof lens.

Sales of allergy medicines increased more than 38 percent, as the Patanol ophthalmic solution gained U.S. market share and was introduced in Germany and France. And sales of Travatan, Alcon's primary glaucoma treatment, rose 58 percent.

"What's really coming home, I think, now is this emphasis we've had on the pipeline, on research," Sear said. "We actually spend more in that area than anybody else."

The first-quarter performance was so strong that Alcon may pour some of the profits into more research and development, as well as promotion of its new products, said Jacqualyn Fouse, the company's chief financial officer.

"The phrase that comes to mind is firing on all cylinders," Fouse said.

The company has performed well since it went public in March 2002.

One weak spot in Tuesday's results: Revenue from refractive surgery, commonly known as LASIK surgery, fell almost 15 percent. Fouse said consumers' shift to more expensive procedure did not offset a slip in equipment sales.

Looking ahead, Alcon is pinning its hopes on the introduction later this year of a new intraocular lens, and the 2005 launch of a treatment for the most severe form of age-related macular degeneration.

"That's a major market, which we've had no business in," Sear said. "And it'll be a big hit for us, assuming everything goes well."

Alcon now expects 2004 earnings per share of $2.23 to $2.26 — up 8 cents from the company's previous guidance.

"We don't expect for this rate of growth to continue for the remainder of the year, but we have adjusted upward our expectations," Fouse said.

The company's stock closed Tuesday at $67.58, down $2.27, on the New York Stock Exchange. That was before earnings were posted.

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Braun
alcon

EARNINGS

Alcon earnings up almost 10% in second quarter

31 July 2003

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

ALCON More than a year after going public, Alcon continues to see strong sales growth and higher earnings.

FORT WORTH — Alcon's earnings climbed almost 10 percent to $178.2 million in the second quarter, thanks in large part to brisk sales of drugs that treat seasonal allergies, glaucoma and eye and ear infections, the company reported Wednesday.

The Fort Worth-based eye-care giant boosted second-quarter sales to $925.4 million — a gain that helped offset a 20 percent increase in research and development expenses, as well as the higher cost of an expanded sales force.

"I think it was, again, an excellent quarter for us. Our sales grew 14.3 percent," said Jacqualyn Fouse, Alcon's chief financial officer. "All that while we're actually spending a little bit more on R&D."

Alcon develops and manufactures optical surgery equipment, prescription eye-care drugs and contact lens solutions. The company went public in March 2002, when its parent, Swiss food giant Nestle S.A., spun off about 25 percent of the unit's shares.

The strongest performance in the second quarter came in the pharmaceutical sector, which saw 25 percent sales growth. So far this year, Alcon's drug sales are up almost 24 percent over the first half of 2002.

Sales of Travatan, an ophthalmic solution for glaucoma patients, soared to $61.9 million this year — more than double its sales in the first six months of 2002.

Allergy products brought in $176 million in 2003's first half, led by growth in the United States of the Patanol ophthalmic solution and the launch of Alcon's Opatanol solution in Europe.

Sales of surgical equipment grew 8 percent in the quarter, while consumer product sales increased 5 percent.

The company is counting on continued sales growth from a handful of products that it unveiled this year. Among them are the Infiniti vision system, a cataract removal device that Alcon unveiled in April; Vigamox, an eye-infection medicine; and Ciprodex Otic, a drug that treats ear infections. Both drugs won Food and Drug Administration approval in recent months.

"It's a big, big year for us in terms of new product launches," Fouse said.

Alcon's latest results, which were released after the stock market closed Wednesday, were strong enough to prompt the company to boost its guidance for the rest of the year.

Alcon now anticipates 2003 sales of between $3.36 billion and $3.39 billion, up from an earlier projection of $3.3 billion. Earnings per share are expected to reach $1.85 to $1.90.

The company's stock closed Wednesday at $48.47, up $0.17, on the New York Stock Exchange.

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Bauer
alcon

Star-Telegram | Thursday, July 31, 2003

EARNINGS

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31 July 2003

By MARIA M. PEROTIN
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FINANCIAL EXECUTIVE OF THE YEAR

Alcon exec honored with national award

13 Dec 2005

By JIM FUQUAY
STAR-TELEGRAM STAFF WRITER

Jacqualyn Fouse, chief financial officer of Alcon since 2002, received the Financial Executive of the Year Award from Robert Half International and the Institute of Management Accountants, which represents 70,000 professionals who design and implement businesses' internal accounting systems.

FOUSE

The Duncanville native and University of Texas at Arlington graduate was recognized from among 202 nominees. The award was to be presented Monday evening at Fort Worth's Petroleum Club.

Fouse, 44, joined Fort Worth-based Alcon as a financial analyst in 1986. In 1993, she moved to Switzerland as assistant controller for the pharmaceutical and cosmetics group of Nestlé, then Alcon's corporate parent, and later became the company's group treasurer. In 2001, she left Nestlé to become chief financial officer of Swissair Group, which was struggling to avoid bankruptcy. She rejoined Alcon in 2002.

In nominating Fouse, Phil Willingham, regional vice president of Robert Half, noted that while Alcon could use its ties to Nestlé to avoid complying with all provisions of Sarbanes-Oxley, the federal rules governing financial reporting that passed in the wake of Enron's collapse and other business scandals, Fouse chose not to.

In addition to corporate responsibilities, Fouse serves on the Chancellor's Council of the University of Texas System, is a member of the Texas Christian University's accounting department advisory council and participates in TCU student mentoring.

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Business
Alcon
Retaane

PHARMACEUTICALS

Alcon eye drug approval is stalled

■ The FDA wants more information before the agency will approve a medicine to treat age-related macular degeneration.

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

Alcon is a step closer to selling its treatment for a leading cause of blindness, but the drug failed to win outright approval from federal regulators this week.

The Fort Worth-based company announced that it has received an "approvable letter" from the U.S. Food and Drug Administration for Retaane, its treatment for the most severe form of age-related macular degeneration.

Executives plan to meet with agency officials to determine what additional information or further studies will be required before the drug can reach the market.

The FDA typically issues approvable letters to drug makers when questions need to be resolved before it grants final approval.

"We still believe strongly that Retaane has efficacy in the treatment of AMD," Doug MacHatton, Alcon's vice president of investor relations, said Wednesday. "Obviously, the earlier you get an approval, the happier you are about that."

Alcon won't know how long it may have to wait for approval until after the FDA meeting, which will likely take place in July, MacHatton said.

Although Wall Street had been expecting the FDA decision, the delay marks a setback for Alcon, the world's leading maker of ophthalmic products.

The company is in a race with several competitors to produce new therapies for AMD, a condition that leaves sufferers' peripheral vision intact but blurs whatever is right in front of them.

The disease is the leading cause of blindness among older Americans, afflicting more than 13 million people. But only a few treatments exist — including laser therapy, a drug-and-light combination, and a drug produced by New York-based Eyetech Pharmaceuticals and Pfizer, which won FDA approval late last year.

Alcon had hoped Retaane, which fared well in an earlier study, would outperform rivals. But executives revealed clinical results in October that showed that the treatment performed no better than Novartis Ophthalmics' existing Visudyne drug-and-laser therapy.

The competition heated up this week when biotechnology firm Genentech announced encouraging results from the latest study of Lucentis, the AMD drug in its pipeline. The trial showed that some patients on Lucentis not only maintained their vision but actually saw improvement.

Alcon shares (ticker: **ACL**) fell \$1.71 to \$102.90 Wednesday on the New York Stock Exchange.

Analysts at Wachovia Securities on Wednesday said the regulatory setback — combined with Lucentis' strong results this week — make it unlikely that Alcon will be able to count on Retaane to boost its bottom line in 2006 or even 2007.

"Retaane's future remains uncertain," the analysts wrote in a report. "This announcement reinforces our view that Retaane is not likely to be a meaningful driver of Alcon's earnings."

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Brown
Alcon

EYE CARE

Alcon gains approval for cataract lens

24 March 2005

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

Fort Worth eye-care giant Alcon has won government approval for the latest generation of its intraocular lens for cataract patients, the company announced Wednesday.

The new AcrySof lens marks a significant technological leap and aims to eliminate patients' need for reading glasses after cataract surgery.

In clinical studies, 80 percent of lens recipients were able to forgo glasses altogether.

Chief Executive Cary Rayment said Alcon expects the lens to bolster the company's growth in the next few years.

"Approval of the AcrySof ReSTOR lens is a significant event for Alcon that validates the extensive development work we have done to make it the best lens possible for all of a patient's vision needs," Rayment said in a statement Wednesday.

The company, which introduced its previous AcrySof lens in fall 2003, plans to start training surgeons on the new lens next month and to begin U.S. shipments in May.

Alcon's global sales of intraocular lenses topped $580 million in 2004, with its family of AcrySof lenses ranking as the most frequently implanted in the world.

Alcon released the news after the markets closed. The company's shares (ticker: **ACL**) closed at $87.30 Wednesday, up 90 cents.

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Business
Alcon

Alcon gets FDA panel OK for eye device

2 Aug 2002

By KERRY DOOLEY
BLOOMBERG NEWS

GAITHERSBURG, Md. — Alcon's eye-mapping device won the backing of a U.S. Food and Drug Administration expert panel for use in improving the outcome of some laser vision-correction surgeries.

Alcon's U.S. headquarters are in Fort Worth, where the company employs 2,600.

The advisory committee voted 9-0 to recommend that the FDA approve Alcon's device, which traces the shape of the eye using a beam of light. The map it creates allows more precise adjustments to the eye's shape in some vision-correction procedures, the world's largest eye-care company said.

The panel attached conditions to its approval, such as suggesting that the FDA require the company to include information about potential side effects in booklets to be given to patients.

The committee also suggested such booklets refer patients to the FDA's Web site on vision-correction surgery, said Jayne Weiss, the chairwoman of the panel and a doctor at Wayne State University's Kresge Eye Institute.

Alcon sold 25 percent of its stock in an initial public offering in mid-April. Switzerland-based Nestle owns the other 75 percent. The company's marketing, research and development, and manufacturing operations are in Fort Worth.

The company announced Wednesday that its second-quarter earnings had risen 58 percent.

The FDA usually follows its expert panels' advice.

Barnes Alcon

PHARMACEUTICALS

Alcon hit by finding on drug

■ A drug in the Fort Worth company's pipeline may take longer to win federal approval.

15 Oct 2004

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

Alcon stock tumbled 11 percent Thursday after the Fort Worth-based eye-care giant revealed that its drug for a leading cause of blindness performed no better in a study than a competitor's existing treatment.

Alcon had hoped Retaane, its treatment for age-related macular degeneration, would prove to be at least as effective as Novartis Ophthalmics' Visudyne therapy. But researchers who analyzed a year's worth of data found it fell short.

The new findings are expected to hurt Retaane's chance of winning approval from the U.S. Food and Drug Administration in time to launch the product next year.

MACULAR DEGENERATION
■ Alcon and other companies are taking on a leading cause of blindness.
SUNDAY

"Our assumption is that Alcon will have a tough time getting this drug approved without conducting additional clinical trials," said Michael Weinstein, an analyst with J.P. Morgan.

The company's shares (ticker: **ACL**) dropped $8.56 a share Thursday to close at $67.84 on the New York Stock Exchange.

Doug MacHatton, Alcon's vice president of investor relations, said the company intends to stick to its timeline and seek FDA approval for Retaane by the end of this year.

"Clearly, the situation is not as positive as it was before we had this data," MacHatton said. "Now, we have this data, and we have to deal with that."

FDA officials have told company executives that they remain willing to review Alcon's application whenever it's filed, MacHatton said.

More on DRUG on 8C

Drug: Alcon to stick to its timeline

CONTINUED FROM 1C

Alcon, Novartis and other competitors have been racing to create new treatments for age-related macular degeneration, the leading cause of blindness among older Americans. They're targeting the "wet form" of the disease, which is far less common than the dry variety but causes the most vision loss.

Novartis' Visudyne, a drug-and-laser combination, is the only FDA-approved medication for the disease.

With rivals scrambling to introduce alternatives, industry analysts estimate successful treatments could create a $1 billion market.

"It's an untapped market out there," MacHatton said. "We don't want to underestimate that it's a large potential opportunity."

Nonetheless, MacHatton said Alcon will be able to boost its sales of other products and increase earnings in the next few years — regardless of Retaane's introduction.

"The future of the company's growth is not dependent on Retaane, never has been," he said.

Weinstein, who had projected $55 million in sales of Retaane next year and $140 million in 2006, said he no longer expects Alcon to book sales of the drug by then. But he doesn't expect the delay to hurt its bottom line.

"The company is fine long-term," he said. "The company has a number of important products in its pipeline."

Weinstein and Smith Barney analyst Peter Bye upgraded their ratings on Alcon's stock Thursday. Analyst David Buck, at the Buckingham Research Group, downgraded the stock.

Since going public in March 2002, Alcon has posted brisk sales of its ophthalmic surgery equipment, pharmaceuticals and consumer eye-care products.

The company's profit soared to $299.2 million in this year's second quarter, up 68 percent over the same period in 2003. And its stock, which began trading at $33 a share, climbed as high as $87 this summer.

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Alexander

Alcon Hits Big Board

Conner

BY LYNETTE GUY/A highly-respected accomplishment of the American economic dream culminates in October for Alcon Laboratories, Inc., a Fort Worth conceived and based firm. The company's stock is scheduled to be admitted to trading on the New York Stock Exchange, October 4. Alcon is the second Fort Worth firm to accomplish this goal.

Alcon's success story began in 1938 with the friendship of William C. Conner, professional service representative for a national pharmaceutical concern, and Robert D. Alexander, employee at the Ben Weeks Pharmacy in Fort Worth. In 1940, when Conner was promoted, he recommended Alexander as his replacement, and the two men began long discussions about the future of the pharmaceutical industry.

They became involved in that future in September, 1945 with the opening of the original Alcon Prescription Laboratory, working the pharmacy until 10 p.m. and manufacturing sterile injectable vitamin products late into the night. Their equipment then consisted of a borrowed pressure cooker and an automatic kitchen-variety mixer.

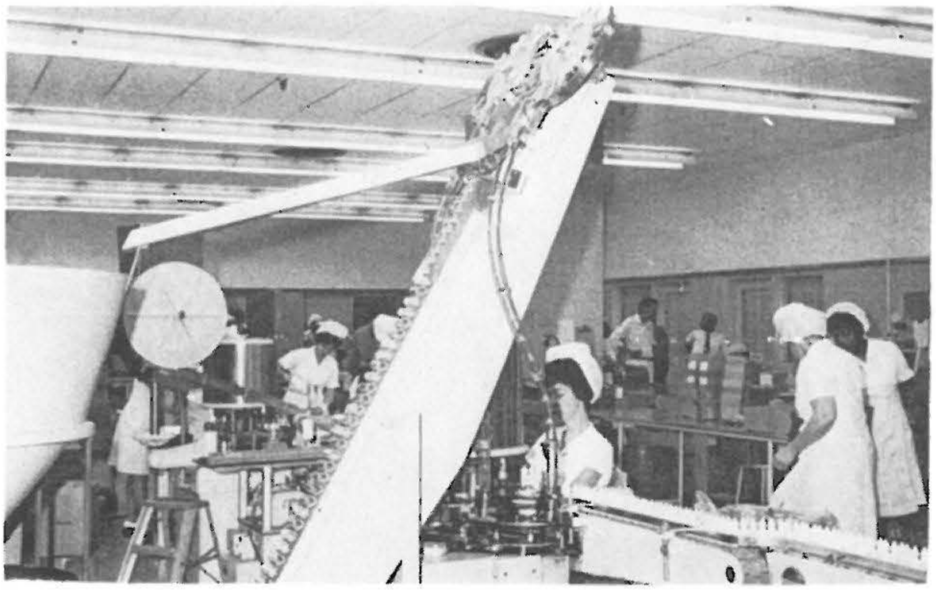
Incorporation came within two years and, soon after, the recognition of a need for ophthalmic products not being supplied by the pharmaceutical industry. The stimulating reception of their exhibit, hauled on top of a car to a Chicago meeting of ophthalmologists, encouraged Conner and Alexander to concentrate their entire manufacturing efforts on the ophthalmic field. They obtained a larger building on North Main and disposed of the pharmacy.

The concept on which these businessmen have built Alcon is a unique approach in the pharmaceutical field. Instead of disease-oriented efforts to assist the physician in treating any given disease, Alcon's method is medical-specialist oriented—listening to the specialist as he defines the products he needs to treat his patients. Alcon relies heavily on the advice and counsel of the medical specialists whom they serve, and concentrates their research in one smaller field rather than dissipating their efforts over larger areas.

With their concept and approach firmly in mind, Alexander and Conner have led Alcon in an almost unbelievable growth process. A series of four moves ended in 1960 in the present facilities on the South Freeway in Fort Worth, which have since doubled in size. From heavy financial losses in the first two years of operation, Alcon has grown to $30,740,000 net sales in 1971, up 25 percent from 1970. The company has over 5,000 shareowners, 1,000 employees, and is the largest producer of ophth[...] in the world.

Alcon has now entered four [...] fields—ophthalmology, allergy, ur[...] and stainless steel surgical instru[...] —through expansion, acquisition of [...]er companies, and joint ventures [...] recognized corporations. Their mar[...] international. Products are distribut[...] 75 countries, accounting for 25 per [...] of Alcon's total revenues, and manufac[...]turing operations are carried on in [...] countries.

Alcon's move onto the Big B[...] of the New York Stock Exchange ha[...] been approved, and the company eag[...] awaits its October 4 admittance. Th[...] Fort Worth Chamber of Commerce ha[...] scheduled a luncheon for the Alcon of[...]cials on October 1 in order to sal[...] this Fort Worth firm.



Business
Alcon

26 Dec 2010

Alcon in position to set its sights on even bigger things

In my opinion With help from a new parent, Alcon looks to grow faster.

Mitchell Schnurman
mschnurman@star-telegram.com

Imagine Alcon Inc. getting bigger, deeper, better.

That's generally the promise of a merger and acquisition, and the Fort Worth eye-care company is in the midst of being bought by Novartis, a Swiss drugmaker that's almost seven times its size.

Alcon has cycled through a few owners since it began in a storefront here in 1947, and it's always emerged stronger. This change is different, with a lot more upside, because Novartis is a leading player in the pharmaceutical business — a strategic partner that brings even more to the table than Alcon.

"Healthcare isn't getting any easier in the next 20 years," said Kevin Buehler, Alcon's president and CEO.

Novartis spends $7.5 billion a year on research and development, so it has a pipeline of new molecules. That will help Alcon develop eye-care drugs faster and cheaper. Novartis also has influence with health ministers around the world, which is expected to get more Alcon products into government health systems. Finally, Novartis will add its contact lens unit to Alcon, boosting Alcon's smallest segment overnight.

This is a combination that could be much greater than its parts.

Alcon is already the global leader in eye care, making surgical products, intraocular lenses, glaucoma drugs, and consumer staples like contact lens solution and artificial tears. It had $6.5 billion in revenue

More on SCHNURMAN, 6D

Schnurman

Continued from 1D

last year and $2.3 billion in operating profit, a hefty 35 percent profit margin.

But here's the mind-blowing number: In the past decade, while stock indexes stalled, Alcon's market value soared from $10 billion to $51 billion, based on what Novartis has agreed to pay shareholders.

Alcon's price tops Warren Buffett's purchase of Burlington Northern Santa Fe ($44 billion, including debt) and Exxon Mobil's deal for XTO Energy ($41 billion, with debt). Like Alcon, those Fort Worth targets attracted top suitors determined to keep the growth stories going.

Mega-deals often get bogged down with integration issues and synergies that don't deliver. And the Novartis-Alcon relationship got off to a rocky start last January after Novartis offered a discounted price for the 23 percent of Alcon shares that traded on the New York Stock Exchange.

They included shares held by Alcon employees in 401(k) plans, stock purchase programs and private investments. This month, Novartis agreed to pay the minorities the same average price that went to Nestle, Alcon's majority owner. That's worth more than $1 billion to the shareholder class, and the offer won support from independent directors. The deal is expected to close in the first half of 2011 and give Novartis all the outstanding stock.

The stock flap dominated media coverage of the deal, overshadowing the business rationale. Employees fret about takeovers in even the best situations, and Novartis says the merger will yield $300 million in savings.

Novartis also plans to cut 1,400 workers in the United States on Jan. 1, but Buehler says that won't affect Alcon. Alcon has 15,500 employees worldwide, including 3,400 at its Fort Worth headquarters, and Buehler says they have a chance to take their company to another level.

"It's important to stay focused on what this is all about," said Buehler, who joined Alcon in 1984 as a regional sales manager. "We're not going to save our way to prosperity. This merger is about growth and innovation."

Alcon consistently ranks among the best places to work, and it contributes up to 12 percent of employee pay to retirement plans. It sponsors many local initiatives, including free eye screenings and glasses for needy students in a partnership with Essilor Vision Foundation.

Buehler talks about preserving Alcon's culture, but he adds that no decision has been made about benefits. The company will be known as "Alcon, the eye-care division of Novartis," and he wants to strike a balance that protects Alcon's values.

William Conner and Robert Alexander started Alcon — a shortened version of their last names — after World War II and grew it into a publicly traded company. In 1978, Nestle paid $280 million to take Alcon private, and the Swiss food giant provided the deep pockets and encouragement to build a multinational operation. In 2002, Nestle sold almost a quarter of Alcon's shares in a public offering, and Alcon was soon delivering higher profits and market share gains.

Many feared that Alcon would regress in Wall Street's spotlight, but it became more successful. It focused on building the No. 1 or No. 2 brands in each segment and more than doubled its business in emerging markets.

In premium intraocular lenses, used in cataract surgery, Alcon's global share jumped from 40 percent to 55 percent. While Alcon's revenue roughly doubled in the eight years after it went public, net income quadrupled.

Within Novartis, Alcon won't get the same undivided attention from analysts, but it will be scrutinized. Alcon will account for almost 20 percent of Novartis revenue, and it's expected to be a growth driver with stellar margins.

An aging population in the West will need more eye care, and 30 million people around the world are blind from cataracts, including 10 million in China. They're potential Alcon customers, who might be able to restore their sight for $4,000.

"In healthcare economics, this is a bargain," Buehler said.

Someday, people may say the same thing about Novartis buying Alcon.

Mitchell Schnurman's column appears Sundays and Wednesdays. 817-390-7821

CFO:
Fouse

CRIMINAL CHARGES

4 April 2006

Alcon: Indictment of CFO hasn't hurt firm

STAR-TELEGRAM ARCHIVES/SHARON M STEINMAN

Alcon officials say Chief Financial Officer Jacqualyn Fouse plans to plead not guilty to charges included in an indictment issued in Zurich, Switzerland.

■ Jacqualyn Fouse is facing charges in Switzerland related to the bankruptcy of Swiss Air.

By BARRY SHLACHTER
STAR-TELEGRAM STAFF WRITER

FORT WORTH — Alcon officials say the company has felt no financial fallout from the indictment in Zurich, Switzerland, of its chief financial officer, Jacqualyn Fouse, last week along with 18 other former Swiss Air officials involved in the national carrier's 2001 bankruptcy that shook the European nation.

"The investment community has been very understanding," spokesman Doug MacHatton said Monday. "There hasn't really been any impact on the company to date, and we don't expect any as the matter doesn't relate to Alcon in any way."

Shares in the eye-care products company (ticker: **ACL**) rose $1.15 Monday to close at $105.41 on the New York Stock Exchange.

Fouse declined to be interviewed, but Alcon said in a federal filing that the board was told that she plans to plead not guilty to charges of alleged mismanagement, "disloyal" business conduct and favoring creditors before the bankruptcy filing.

The 44-year-old native North Texan was working in Switzerland as group treasurer of Nestlé, the food giant and major shareholder of Alcon, when her boss, Nestlé Chief Financial Officer Mario Corti, was named Swiss Air chief executive and asked her in June 2001 to become its CFO, MacHatton said. The carrier was four months from bankruptcy.

"She became part of the reorganization management team, working on a variety of accounting issues, developing a restructuring plan [and] coordinating the financial planning and liquidity management," MacHatton said. "All of which was part of the process to give a firm financial footing for the airline."

A 2003 report by the accounting firm Ernst & Young for Swiss Air's liquidators was sharply critical of Corti, who it said was aware of the airline's perilous financial condition when he took over.

He also spent an exorbitant amount of money on outside consultants who gave the same advice the prior management had received: that Swiss Air could not survive without selling huge chunks of the operation.

"Corti totally ignored the warnings," said Zurich's *Tages-Anzeiger* newspaper.

Fouse declined to comment on the charges against her.

MacHatton, who said the 22-page indictment is being translated from German, stressed that Fouse cooperated with investigators before and after she left the airline in May 2002, providing them with evidence and testimony.

"We don't know what the recommended or maximum sentence would be at this point," he said. "It will be clarified by the prosecutor during oral arguments."

MacHatton said the Swiss legal proceedings were expected to take six to 12 months and that testimony from the 19 defendants before a special court will be consolidated to a small number of days.

"Possibly, she will have to attend some hearings," he said. "But we don't expect it to take a significant amount of time."

Fouse, who had worked at Alcon from 1986 until moving to the then-parent firm Nestlé in 1993, rejoined the Fort Worth company two months after leaving Swiss Air.

Fouse, a Duncanville native who earned B.A. and M.A. degrees in economics from the University of Texas at Arlington and completed doctoral course work, was named 2005 Financial Executive of the Year for cost-cutting initiatives at Alcon that resulted in sizable increases in gross profit margins, said the award's co-sponsor, the Institute of Management Accountants.

ONLINE: Alcon Laboratories, www.alconlabs.com

Barry Shlachter, (817) 390-7718
barry@star-telegram.com

Business
Alcon

Alcon Initial Public Offering Priced at $33.00 Per Share

March 20, 2002: 8:02 p.m. EST

VEVEY, Switzerland and HUNENBERG, Switzerland (PRNewswire) - Nestle S.A. and Alcon, Inc. announced today that the initial public offering of 69,750,000 common shares of Alcon, Inc. has been priced at $33.00 per share.

Alcon, the eye care subsidiary of Nestle S.A., researches, develops, manufactures and markets ophthalmic products, including surgical instruments and accessory products, intraocular lenses, prescription drugs and contact lens care solutions. The 69,750,000 common shares offered represent 23.25% of the 300,000,000 common shares outstanding immediately following this offering (assuming no exercise of the over-allotment option by the underwriters of this offering). Immediately after the offering, Nestle S.A. will own 76.75% of Alcon's outstanding common shares.

Net proceeds of this offering of approximately $2.2 billion will be used to redeem nonvoting preferred shares owned by Nestle S.A. Alcon has also granted the underwriters an option to purchase up to an additional 6,975,000 common shares to cover over-allotments. Alcon will receive the net proceeds from any exercise of the over-allotment option, which it expects to use to repay indebtedness.

The common shares are scheduled to begin trading on Thursday, March 21, on the New York Stock Exchange under the symbol "ACL".

Credit Suisse First Boston is the global coordinator for this offering, and the joint lead managers and bookrunners for this offering are Credit Suisse First Boston and Merrill Lynch & Co.

This announcement does not constitute an offer to sell or the solicitation of an offer to buy common shares. The offering of common shares will be made only by means of a prospectus, copies of which may be obtained from Credit Suisse First Boston, Prospectus Department, 11 Madison Avenue, New York, New York 10010-3629, (212) 325-2580 and Merrill Lynch & Co., World Financial Center, 5th Floor, North Tower, New York, New York 10281, (212) 449-

1000.

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Alcon keeps its long-term focus

SCHNURMAN After two years as a public company, the eye-care firm is stronger and worth a lot more.

25 Jan 2004

Here's one sign that Alcon CEO Tim Sear is at the top of his game: He actually enjoys talking with Wall Street analysts.

Mitchell Schnurman

IN MY OPINION

Maybe that's natural when you have a great story to tell and a stock price hitting new highs.

"You can almost feel their enthusiasm grow," Sear said, about his quarterly conference calls with analysts. "It becomes infectious, and that makes it fun."

So much for fear and loathing about being a public company.

It was almost two years ago that Alcon started trading on the New York Stock Exchange, after parent Nestle decided to sell 25 percent of its stake in an initial public offering.

Wall Street can be a demanding taskmaster, and

More on SCHNURMAN on 2F

WALL STREET J

Refinancing: Lower rates may mean another chance

3F

Life in

2(

25 Jan

SCHNURMAN

Continued from 1F

some worried that the eye-care company would wilt under the pressure or lose its long-term focus.

Forget about it. Alcon is stronger than ever, racking up big gains in revenue and profits, and filling its pipeline with promising new drugs.

Executives may have to devote more time to quarterly results and explaining the business to investors, but Sear isn't complaining.

SEAR

"It's not been a burden," he said. "It's stimulating."

The CEO, who turns 67 in April, sounds like a graduate student who has the material down cold and can't wait for the exam, just to prove how good he is. You can stretch the metaphor to Alcon, too, because it has been one of those rare IPOs that's better than its hype.

Alcon was founded in 1945 in Fort Worth and did well for decades. It's the leader in its niche of ophthalmology, generating more than $3 billion a year from the sale of surgical products, drugs and consumer goods for the eye.

Alcon was publicly traded for six years before Swiss-based Nestle bought it in 1977. It had strong, steady growth under the deep-pocketed, long-distance ownership, but many people didn't realize the progress.

What's different now is that under $63 on Friday.

During the same time, the S&P 500 is down slightly, and an index of major pharmaceutical firms is down 11 percent.

Alcon, which has 2,800 employees in Fort Worth, has a market cap of $19.4 billion, making it one of the most valuable companies in the region. It's worth more than Burlington Northern Santa Fe, Southwest Airlines and J.C. Penney.

Since the IPO, Sear said he can sense a growing pride among workers. Alcon has long been a top-ranked workplace, with generous benefits and a history of never having a layoff. The turnover rate is less than 5 percent a year, including retirements.

But the company's higher profile means more attention — and it's all good these days.

"After being mute for all those years, it's nice to tell people what you've built," said David Maris, an analyst with Banc of America Securities.

Friends and neighbors talk to employees about the company, ask about job openings and quiz them about the stock. And about 25 percent of Alcon's 6,000 U.S. workers got stock options with the IPO, which can't be bad for morale, either.

Eventually, Alcon will disappoint investors, and management won't savor the spotlight so much. But its approach is solid, even conservative — a style that's right for these skeptical times.

"This is a management team you can stand behind,"

career there, the past seven years as the top executive. Last week, he returned from an eight-day trip to Japan and the Philippines, part of the 100 days a year he spends on the road.

What's surprising is that Sear went abroad alone; many CEOs travel with an entourage, but Sear doesn't need handlers. He's as comfortable talking about Alcon's science as its financials.

For the past decade, Alcon's average growth rate has been nearly 10 percent a year, and it has dipped below 7 percent only once in the past 25 years.

Alcon plans to report 2003 results next month, and the numbers are expected to be even stronger than usual. Debbie Wang, an analyst at Morningstar, projects that Alcon sales will grow 13 percent to $3.4 billion, with profits jumping 25 percent to $582 million.

Alcon is in a sweet spot. It has a diversified portfolio of products, ranging from glaucoma drugs to intraocular lenses to contact lens solution. And its revenue is almost split evenly between the United States and the rest of the world.

That gives Alcon the critical mass to cash in globally on drugs that are created in-house. Alcon spends about 10 percent of its revenue on research and development, producing a steady stream of products.

Its Travatan glaucoma treatment, for example, generated nearly $34 million in revenue in the third quarter.

Alcon is testing a drug to treat age-related macular degeneration, a market segment that could total billions student who has the material down cold and can't wait for the exam, just to prove how good he is. You can stretch the metaphor to Alcon, too, because it has been one of those rare IPOs that's better than its hype.

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Alcon was publicly traded for six years before Swiss-based Nestle bought it in 1977. It had strong, steady growth under the deep-pocketed, long-distance ownership, but many people didn't realize the progress.

What's different now is that everyone can see the score, and it's impressive: In less than two years, Alcon's stock price has nearly doubled, from $33 a share in March 2001 to just

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"This is a management team you can stand behind," Maris said. "Sure, things will go wrong sometime, but it won't be because they're dishonest or not working hard,"

Sear, a British native, joined

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Alcon is testing a drug to treat age-related macular degeneration, a market segment that could total billions of dollars. Alcon has been working on a treatment for more than six years, and Sear said the company has spent more than $100 million on the process.

All the R&D was done at Alcon's Fort Worth lab, which has more than 830 scientists, 230 with doctorates.

Alcon is developing treatments for ear infections and a nasal allergy spray, but those are limited, opportunistic moves, not big shifts in strategy.

Sear is often asked whether Alcon will move into dermatology or other medical specialties. That's how major pharmaceutical companies have kept up their growth, but Sear isn't biting.

The total potential market for Alcon's products will grow 50 percent in the next five years. Aging baby boomers and improving economies in developing countries will expand its customer base.

And Sear is looking at potential acquisitions, not to enter new fields but to bring new technologies to the same mission.

"The secret of our success is that we've always stayed focused on the eye," Sear said. "We'll stick with what we do best."

Even Wall Street isn't arguing.

Mitchell Schnurman's column appears Wednesdays and Sundays. (817) 390-7821
schnurman@star-telegram.com

Fort Worth
...the way
we were.

Alcon Laboratories humble start...West Seventh at West Sixth.

Slide taken in 1945 by Robert D. Alexander, Alcon co-founder, furnished by his son R. Denny Alexander

Alcon was founded in 1945 in Fort Worth as a small pharmacy across from the Medical Arts building on a small triangle of land where West Sixth flows into West Seventh across from Burnett Park. Its name was an amalgam of syllables of the co-founder pharmacists, Robert Alexander and William Conner. They focused on sterile eye products, which no other company had done. They researched eye care products that would reduce contamination and increase safety. Alcon grew steadily to become a worldwide leader. In 1977 Nestle of Switzerland purchased Alcon, and expanded into manufacturing a wide variety of eye products...growing into the largest opthalmic company in the world with operations in 75 countries with products sold in 180 countries and more than 12,000 employees worldwide. Thanks to R. Denny Alexander for furnishing the rare photo above of Alcon's first building.

Busin
Alcon

4 • Tarrant Business • www.dfw.com/business • July 1, 2002

FORT WORTH

Alcon Laboratories starts construction on addition

3 **Alcon Laboratories**, at Interstate 35W and Altamesa Boulevard, has begun construction on a 220,000-square-foot addition to its research and development building.

Once completed, the $35.7 million addition will increase the size of Alcon's laboratory building to more than 600,000 square feet, spokeswoman **Mary Dulle** said.

Dulle said the building should be completed in the first quarter of 2004.

Alcon's research and development building is on the north end of its campus. An existing parking lot is being relocated to make room for the addition, Dulle said.

The addition will give the research group much-needed room, Dulle said. The expansion is not expected to create new jobs, she said.

Alcon has about 750 employees and scientists in its research and development group, she said.

— Sandra Baker

Alcon Labs co-founder, Robert Alexander, dies

S-T 10-12-85

By SAMUEL HUDSON
Star-Telegram Writer

Robert D. Alexander, Fort Worth civic leader and co-founder of Alcon Laboratories, died Friday of congestive heart failure. He was 73.

Robert Alexander

Funeral will be at 1 p.m. Monday at University Christian Church in Fort Worth. Burial will be in Greenwood Cemetery.

Alexander, a native of Tanglewood, attended Fort Worth public schools and graduated from North Side High School in 1930.

He graduated from Danforth College of Pharmacy and was later a student at Harvard Business School's advanced management program.

Alexander and fellow pharmacist William C. Conner opened a small prescription pharmacy on the North Side in 1945 and began manufacturing a nasal decongestant in a converted warehouse on North Main in 1947.

In an address to the Newcomen Society of North America in 1969, Alexander recalled the early days of the enterprise.

"I borrowed my mother's pressure cooker to use as a sterilizer, and Bill borrowed his wife's automatic mixer," Alexander said. "We'd make injectable vitamins, filter them and then autoclave them at night.

"And, during the day, when we were not out contacting physicians soliciting their prescription business, we would offer our injectables for office use.

"We later began offering doctors oral-type products as well. Now, we were operating two separate businesses — a prescription pharmacy and a drug manufacturing enterprise at a single location."

Then Alexander and Conner realized that there was a need not being filled by pharmaceutical manufacturers — the making of certain drugs for ophthalmologists (eye surgeons).

They discontinued their original line, and the company devoted its efforts to the manufacture of ophthalmic products.

By 1966, Alcon was the leading manufacturer in the field it largely invented, and its international operations extended to 40 countries.

In 1978, Swiss-based Nestlé International bought Alcon Laboratories for $280 million.

Alexander retired from the Alcon board of directors in 1984.

A new administration building, now under construction at Alcon headquarters on I-35W, will be named in his honor.

Over the years, Alexander served on the boards of Junior Achievement of Tarrant Co., the Metropolitan YMCA, the Mental Health and Mental Retardation Center, University Christian Church and the Chamber of Commerce of Fort Worth.

In 1982, Alexander and his wife, Catherine, were honored by the Tarrant County chapter of the Texas Society to Prevent Blindness with its "People of Vision" award.

At the time of his death, Alexander was a director of the Tarrant County Water Control and Improvement District No. 1, having been elected for three terms.

He was a member of the Fort Worth Club, Colonial Country Club and Shady Oaks Country Club, Masonic Lodge and Moslah Shrine Temple of Fort Worth and the Harvard Business School Club of Dallas-Fort Worth.

Survivors, all of Fort Worth, include his wife, Catherine Roseberry Alexander; a son, R. Denny Alexander; two daughters, Lane Anne Kimzey and Anita Taylor; and eight grandchildren.

Friends may call at Robertson Mueller Harper Funeral Home until 11 a.m. Monday.

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Busin
Alcon

Alcon leads North Texas corporate performers

So, who's the valedictorian of Tarrant County business this year?

Looks like **Alcon,** which probably employs enough Ph.D.s to qualify automatically but which officially led of North Texas on *Barron's* latest list of the 500 best corporate performers. The business weekly's May 16 issue took the stock market and financial results of the 500 largest U.S. and Canadian public companies by sales and distilled them down to a grade-point average.

Alcon's GPA: 3.5, enough to lead all North Texas companies and rank 10th nationally. That said, there seemed to be a curve: Half of the top 10, including Alcon, were health care-related companies, led by No. 1 **UnitedHealth Group.**

Barron's graded companies on four measures: the stock's total return to investors in 2004; three-year cash flow return on investment (CFROI); 2004 CFROI; and 2004 sales growth.

Fort Worth-based home builder **D.R. Horton** is county salutatorian with a 3.25 GPA, good for No. 27 on the list. Horton ranked fourth last year.

Among other Tarrant County companies, **Burlington Northern Santa Fe** had a 2.5 (No. 153), **AMR** a 1.25 (No. 402), and **RadioShack** had a 1.0 (No. 453).

Eighteen North Texas companies are on the list. The others in the top 100 were **Commercial Metals,** Dallas, 3.25 (No. 18); **Centex,** Dallas, 3.0 (No. 49); and Triad Hospitals, Plano, 2.75 (No. 92).

23 May 2005

FWS-T

Busin
Alcon

SURGICAL EQUIPMENT

Alcon loses patent lawsuit

7 May 2005

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

Alcon must pay a competitor $94.8 million in damages for violating the rival's patents for cataract surgery equipment, a Delaware jury decided Friday.

Jurors found that certain features in the eye-care giant's Infiniti and Legacy series of cataract removal devices infringed on two of Advanced Medical Optics' patents.

Doug MacHatton, Alcon's vice president of investor relations, said the company intends to appeal the decision.

"We believe very strongly that the jury verdict of infringement is not supported by the evidence," he said.

Nonetheless, Alcon intends to remove the components from the Infiniti and Legacy equipment, in part because few physicians use the technology, which helps control how much power is delivered to the surgical device, MacHatton said.

The $94.8 million award will not affect Alcon's operations in any way, he said.

Executives at California-based Advanced Medical Optics, formerly a unit of Allergan, praised the jury's decision.

"AMO's customers, shareholders and employees value the importance we place on investing a great deal of resources to develop new ophthalmic technologies that optimize the quality of life for people of all ages," Chief Marketing Officer Russ Trenary said in a statement Friday.

For Alcon, surgical equipment accounted for almost 46 percent of sales in its last quarter, and cataract devices were key growth drivers. Alcon also manufactures prescription drugs and consumer products.

Advanced Medical Optics sued Alcon in December 2003. About two months later, Alcon filed its own lawsuit, accusing Advanced Medical Optics of selling surgical tools that violate Alcon patents.

A judge stayed that case in March 2005 but left open the possibility of either side reopening it at a later date.

Alcon shares (ticker: **ACL**) closed down 26 cents Friday at $96.60.

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Bureau
Alcon

SALES BROCHURES

Alcon materials called deceptive

25 April 2007

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

Alcon Inc.'s sales brochures for its Ciprodex ear drops contain misleading statements and unsubstantiated claims that the medicine is superior to a competing drug, federal officials said Tuesday.

The branch of the U.S. Food and Drug Administration that reviews prescription-drug advertising issued a warning letter to the Fort Worth-based company Tuesday, asking Alcon to immediately stop using the promotional materials that are typically offered to physicians.

Alcon spokeswoman Kat Golden said the company would comply.

"We are in the process of reviewing the letter from FDA and evaluating the content of the sales aid and the sell sheet," Golden said. "We'll of course thoroughly address the issues raised by FDA in a written response."

Although Alcon focuses almost exclusively on eye-care products, the company introduced Ciprodex in 2003 to treat infections of the middle and outer ear.

> "We are in the process of reviewing the letter from FDA and evaluating the content of the sales aid."
>
> — Kat Golden, Alcon spokeswoman

The FDA said that the sales brochures had several problems, including:

- Lack of information about the drug's risks.
- Several false or misleading claims about its superiority over the rival Cortisporin, with respect to effectiveness, pain relief and reduced inflammation.
- A misleading implication that Alcon's drug has a lower rate of treatment failures than Cortisporin.
- An exaggeration of Cortisporin's risk of an allergic reaction.

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Business
Alcon

www.star-telegram.com

BRIEFLY

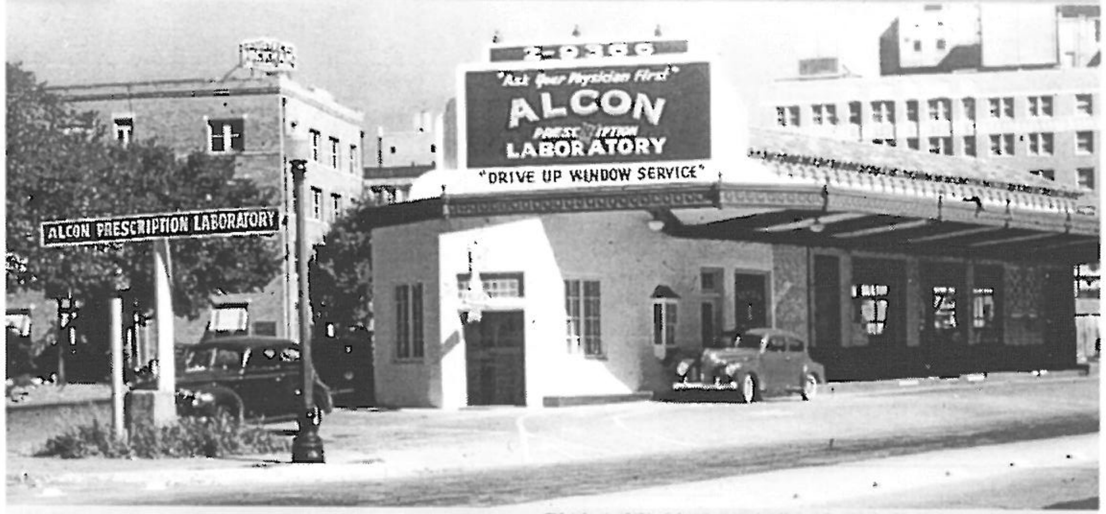
9 Jan 2009

Alcon names new chief executive officer

FORT WORTH — Alcon Inc. said Kevin Buehler will become chief executive April 1, succeeding Cary Rayment. Buehler, 51, is senior vice president, global markets and chief marketing officer of Alcon Laboratories, a Fort Worth subsidiary, Alcon said. He has worked 24 years for Alcon. Rayment, who has been Alcon's chief executive since October 2004, is retiring but will continue to serve as a director and nonexecutive board chairman, the company said. Alcon shares rose $2.01, or 2.2 percent, to $91.93 on Thursday. — *Star-Telegram*

Fort Worth
...the way
we were.

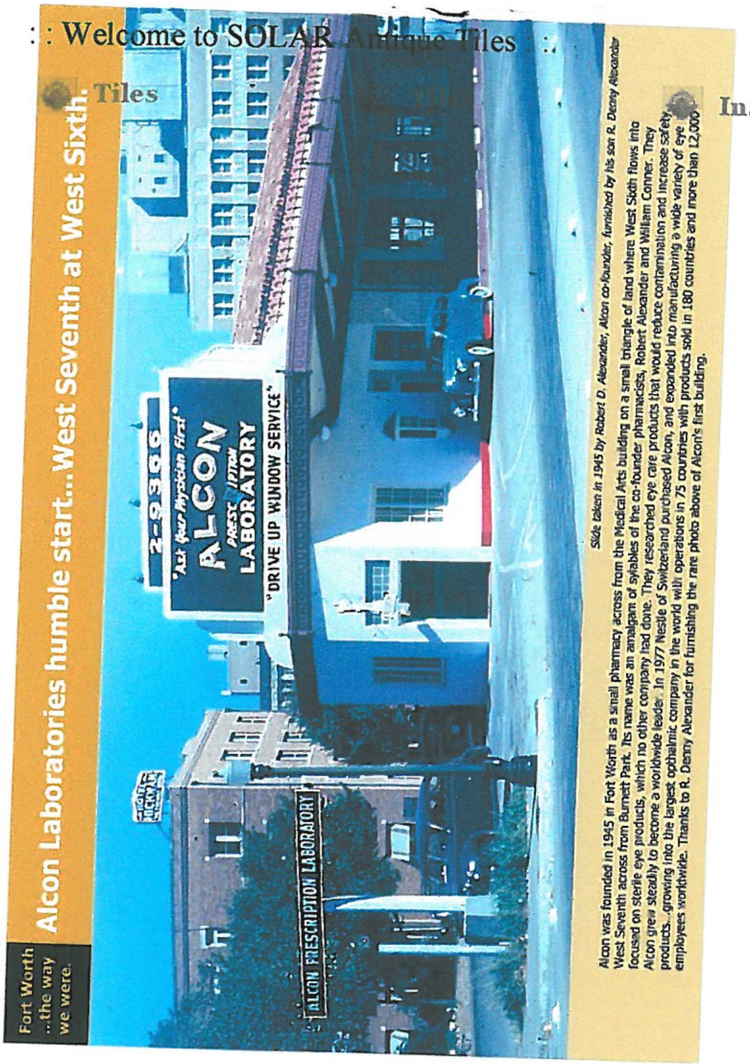
Alcon Laboratories humble start...West Seventh at West Sixth.



Slide taken in 1945 by Robert D. Alexander, Alcon co-founder, furnished by his son R. Denny Alexander

Alcon was founded in 1945 in Fort Worth as a small pharmacy across from the Medical Arts building on a small triangle of land where West Sixth flows into West Seventh across from Burnett Park. Its name was an amalgam of syllables of the co-founder pharmacists, Robert Alexander and William Conner. They focused on sterile eye products, which no other company had done. They researched eye care products that would reduce contamination and increase safety. Alcon grew steadily to become a worldwide leader. In 1977 Nestle of Switzerland purchased Alcon, and expanded into manufacturing a wide variety of eye products...growing into the largest opthalmic company in the world with operations in 75 countries with products sold in 180 countries and more than 12,000 employees worldwide. Thanks to R. Denny Alexander for furnishing the rare photo above of Alcon's first building.

Tiles Installations Other Items Rugs



Business
Alcon

Business

C

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Digest. 2C
Markets. 4-9C

Alcon owner may sell minority stake

Alcon Laboratories

SEAR

Headquarters: Fort Worth
Chief executive: Tim Sear
Employees: 11,000 worldwide, 2,600 in Fort Worth
Corporate parent: Nestle
Business: Ophthalmic medications and equipment
2000 sales: $2.55 billion
Market value: $10 billion-$15 billion, according to estimates of investment analysts
Notes: Alcon was Tarrant County's 22nd-largest employer as of May. Its 2000 sales virtually equaled those of Sabre Holdings Corp. Fort Worth-based Burlington Northern Santa Fe has a $10.4 billion market value.

By JIM FUQUAY
STAR-TELEGRAM STAFF WRITER

CORPORATE SHIFT The Fort Worth eye care giant's local operations shouldn't be affected, its chief executive says.

FORT WORTH — Alcon Laboratories' corporate parent, Nestle of Switzerland, said Friday that it may sell a minority stake in the Fort Worth medical company as early as next year, a move that would give Alcon its own publicly traded stock.

Nestle, the world's largest food maker, has owned Alcon since 1977. It said the move would boost its own financial strength and provide a way to invest in Alcon directly.

Alcon is the No. 1 maker of eye care products, with $2.55 billion in sales last year. It employs about 2,600 people at its south Fort Worth campus and more than 11,000 worldwide.

"I expect that little will change at Alcon," Alcon Chairman Tim Sear said in a prepared statement. "Our facilities will stay where they are, and we will continue to work hard to keep our reputation as one of the best companies to

More on ALCON on 7C

ALCON

Continued from 1C

work for. I will remain Alcon's chief executive officer, and the management and operation of our business will continue as usual."

While the spinoff was described as being in the exploratory stage, Nestle's chief executive, Peter Breback, sounded ready to move Friday.

"Alcon has grown to become the worldwide leader in eye care," Brabeck said. "Given the size and growth profile of the business, we believe that value can be enhanced for Nestle's shareholders and for Alcon by separating the two operations."

Nestle doesn't break out Alcon's profits. But it said Alcon provides about 5 percent of the corporation's total sales, while accounting for more than 10 percent of its profits. Alcon's sales also have grown faster than Nestle's, more than 10 percent annually in the past decade.

That suggests Alcon's stock could be a strong performer on Wall Street.

"It makes sense for big companies to do this because of the values locked up in their subsidiaries" that go undervalued by investors, said Tom Burnett, president of Merger Insight, a New York research firm affiliated with Wall Street Access. "Alcon on its own would probably trade at a higher multiple" of earnings than Nestle, he said.

Investment analysts suggested Alcon could be worth

"We believe that value can be enhanced for Nestle's shareholders and for Alcon by separating the two operations."

— Peter Brabeck, Nestle's chief executive

$10 billion to $15 billion. They also speculated that Nestle would sell no more than 20 percent of Alcon, a level that would retain accounting and tax advantages for Nestle.

Burnett said he wouldn't be surprised if Nestle used proceeds from an Alcon spinoff to help finance its pending $11 billion acquisition of Ralston Purina. In a conference call with analysts, Brabeck said the company had no plans to use the money for an acquisition.

Investment analysts said Alcon would likely attract plenty of attention as an independent stock.

"Alcon is considered a best-in-class competitor within ophthalmic products," said David Gruber, a pharmaceuticals analyst at Lehman Brothers investment bankers. He called Alcon a leader in cataract surgery instruments and, with its $900 million purchase last year of Summit Autonomous, a growing presence in laser eye surgery.

One of the company's latest entries is its glaucoma drug Travatan, which the company says has the potential for hundreds of millions of dollars in sales.

While recent proposals by President Bush and others to help older Americans pay for prescription drugs have created uncertainty in the drug industry, Gruber said eye care has been relatively unaffected.

Burnett said that having its own stock would allow Alcon to issue employees stock options. That would give eligible employees a direct stake in the company's performance, rather than diluting it with Nestle's other operations.

As Sear noted, Alcon regularly ranks high in quality-of-work life surveys. It was No. 34 on *Fortune* magazine's most recent "best places to work" ranking, with a turnover of just 3 percent annually. Its 401(k) retirement benefit also has been rated highly.

Stock options, Burnett said, would be another benefit.

Gruber said two recent spinoffs of specialty pharmaceutical companies from their corporate parents have had good results.

Edwards Life Sciences, a heart valve maker that was part of Baxter International until March 2000, is up 80 percent since then. Its market capitalization — the value of all its outstanding shares at the current stock price — is $1.55 billion, despite losing $272 million on $804 million in sales last year.

The stock of Zimmer Holdings, a maker of orthopedic devices, has only marked time since its spinoff from drug giant Bristol-Myers Squibb in August. But sales last year of $1 billion and net income of $167 million has earned it a market capitalization of $5.7 billion.

"There's no reason to believe Alcon won't do just as well," Gruber said.

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Business

Alcon

MEDICAL 10 Oct 2002

Alcon, Pharmacia settle glaucoma drug dispute

HUNENBERG, Switzerland — Alcon, the world's largest eye-care company, said it and rival Pharmacia Corp. have settled all pending disputes worldwide over Alcon's anti-glaucoma product Travatan. Financial details weren't released. Alcon agreed to pay Pharmacia for a specified time based on past and future sales of Travatan. The settlement also includes Columbia University, which licenses some of the patents to Pharmacia, maker of Xalatan, the competing glaucoma treatment. The agreement settles all patent and trademark disputes over Travatan and gives Alcon the "unrestricted right" to continue selling it worldwide, Alcon said in a statement. Alcon's U.S. headquarters are in Fort Worth.

Business
Alcon

EARNINGS

Alcon plans 1st dividend after strong 4th quarter

20 Feb 2003

FROM STAFF AND WIRE REPORTS

Alcon, the Fort Worth-based maker of eye-care products, reported strong fourth-quarter earnings Wednesday and proposed paying its first dividend to shareholders.

Net income rose 49 percent to $85 million, or 26 cents a share, from $57 million, or 19 cents, in the same period of 2001. Sales rose 12 percent to $749.2 million. The company released the results after the stock market had closed.

For all of 2002, Alcon's sales increased 9.5 percent, to $3 billion. Net earnings were up 47.9 percent to $466.9 million, or $1.53 per share on a diluted basis, the company said.

Alcon cited strong growth of pharmaceutical products to treat glaucoma and allergies.

During 2003, the company said, sales are expected to be $3.27 billion to $3.3 billion, and diluted earnings per share are expected to be $1.82 to $1.85.

"We stand at a point in time where our pipeline of new products has rarely been richer, and we look forward to the success of several of these products in 2003 and many more in the years to come," Chairman and CEO Tim Sear said in a prepared statement. "During the fourth quarter of 2002, we again expanded our pharmaceutical sales force to support the continued growth of Travatan and in preparation for the launch of three new pharmaceutical products in 2003." Travatan is a glaucoma drug.

Alcon was spun off from Swiss parent company Nestle in a public stock offering last year. Nestle retains majority ownership of the company.

The proposed dividend would pay shareholders 0.45 Swiss francs, or 33 cents a share, if approved by shareholders at the company's annual meeting May 20, spokeswoman Mary Dulle said. The meeting will be in Zug, Switzerland.

Alcon President Tim Sear Featured at Fort Worth Business Forum

Jan 1999 Chamberletter

The Fort Worth Business Forum regularly spotlights senior managers of the city's leading companies. In December, the forum focused on Alcon Laboratories CEO Tim Sear, who discussed Alcon's global scope.

Alcon, a research-based pharmaceutical company, was founded in Fort Worth in 1946. The company employs 10.000 people, 2,400 here in Fort Worth. Sear explained that, even though Alcon grosses more than $2 billion a year, the company remains focused on discovering, manufacturing and marketing new products within the ophthalmic marketplace.

Alcon Laboratories is the world leader in ophthalmology. Sear said that one of the company's goals for the new millennium is to provide products to physicians across the globe, helping them care for patients everywhere.

The December forum, held at the Fort Worth Club, was sponsored by the Fort Worth Chamber, Comerica, Weaver and Tidwell LLP and *The Business Press*.

Bruce
Alcon

EARNINGS

28 July 2005

Alcon profit up nearly 35% in 2nd quarter

■ The Fort Worth company is hoping that sales of its newest lens for cataract patients will boost 2005 profits.

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

Eye-care giant Alcon's earnings climbed almost 35 percent to $325 million in 2005's second quarter, when the Fort Worth company once again boosted sales across its three main divisions.

Alcon saw the biggest gains in sales of drugs, including its treatments for glaucoma, allergies and eye infections, according to results released after the market closed Wednesday. Pharmaceutical sales reached $502.6 million in the second quarter, an increase of more than 14 percent over the same period last year.

The earnings, which amounted to $1.04 per share, compared with an adjusted profit of $241.6 million, or 78 cents per share, in the same period of 2004. Without the adjustment, which was related to various changes to Alcon's previous tax return, earnings still would have increased almost 9 percent.

Sales rose 12.8 percent to $1.17 billion.

"We continued to leverage our global infrastructure to further drive profit growth," Chief Executive Cary Rayment said in a statement Wednesday. "We also look forward to the significant new market opportunity presented by the AcrySof ReSTOR intraocular lens and plan to capitalize upon this to drive future surgical franchise growth."

ReSTOR, the newest lens in Alcon's AcrySof line, won approval from the U.S. Food and Drug Administration in March. It uses technology that aims to eliminate a patient's need for glasses after cataract surgery.

Alcon got a boost in May when the federal Medicare program agreed to cover part of the cost of such specialized lenses. The move effectively allowed Medicare beneficiaries for the first time to choose the more expensive lens, as long as they pay the extra cost themselves.

Other highlights of Wednesday's financial results:

■ Sales of surgical equipment rose more than 13 percent to $520.8 million.

■ Sales of consumer products, which account for about 13 percent of Alcon's business, increased more than 6 percent to $148.6 million.

■ Revenue from refractive surgery, commonly known as LASIK surgery, dropped more than 9 percent as global equipment sales fell. And sales of contact lens disinfectants declined 1 percent.

Looking ahead, the company expects 2005 sales to reach between $4.35 billion and $4.4 billion — including $45 million to $55 million in sales of the ReSTOR lens.

Alcon anticipates earnings per share of $3.40 to $3.45 for the full year.

Before the earnings were released, Alcon's stock (ticker: **ACL**) closed Wednesday at $113.00, up $2.36 on the New York Stock Exchange.

STAR-TELEGRAM ARCHIVES/RALPH LAUER

Alcon Chief Executive Cary Rayment says the eye-care company continued to leverage its global infrastructure to increase earnings in the second quarter.

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21 OCT 2004

EARNINGS

Alcon profits, sales up sharply

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

Alcon Inc.'s earnings climbed almost 27 percent to $194.3 million in the third quarter, as the Fort Worth-based eye-care company once again boosted its U.S. and international sales.

Overall, sales increased to more than $958 million for the maker of drugs, surgery equipment and consumer products — up 16.5 percent over the same period of 2003.

Alcon (ticker: **ACL**) reported the biggest gains from its pharmaceutical products, including the Travatan glaucoma drug and Patanol allergy medicine, according to financial data released after the stock market closed Wednesday.

Its AcrySof intraocular lens and its Systane eyedrops, which treat dry eye, also fared well.

"We are early into a new product cycle for many of these important products and expect to see healthy growth from them for many years to come," Chief Executive Cary Rayment said in a written statement.

Alcon has previously posted strong financial results this year, with earnings that soared 47 percent and 68 percent in 2004's first and second quarters, respectively.

The company, which booked almost 48 percent of its sales outside the United States, projected sales of more than $3.85 billion for all of 2004.

The third-quarter results amounted to 62 cents per share, up from 49 cents per share in the same period of 2003.

Before the earnings were released, Alcon's stock closed Wednesday at $66.49, up 27 cents on the New York Stock Exchange.

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OTHER EARNINGS

- American Airlines' parent reports a loss of more than $200 million. **1A**
- Delta's loss is even larger. The Atlanta-based airline drops $651 million, or $5.16 per share. **3C**
- Northwest Airlines took a loss of $46 million but saw revenue increase by 13 percent. **3C**
- XTO Energy of Fort Worth reports a 37 percent increase in third-quarter profit, earning $140.8 million on revenue of $507 million. **3C**

Business – Alcon Laboratories, Inc.

Busi...

12 Feb 2004

EARNINGS

Alcon profits up sharply on fourth-quarter sales

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

Brisk sales pushed Alcon's fourth-quarter earnings to $133.9 million, up almost 58 percent from a year earlier.

That amounted to 43 cents per share for the Fort Worth-based maker of eye-care products, which released its financial results after the stock market closed Wednesday. Sales climbed 13.7 percent to $851.7 million.

Much of the fourth-quarter growth came from sales of drugs, including Ciprodex Otic, which treats ear infections, and Travatan, a glaucoma treatment.

Alcon's U.S. sales rose 7.8 percent, while international sales climbed 19.9 percent. Helped by a favorable currency environment, sales abroad exceeded U.S. sales for the first time in the company's history.

Jacqualyn Fouse, Alcon's chief financial officer, credited the company's diverse product lines — which include surgery equipment, prescription drugs and consumer eye-care products — for creating well-balanced results.

Overall, global drug sales saw the most significant improvement, rising 21.3 percent for the quarter. Sales of surgical equipment increased 10.7 percent, and consumer-product sales rose 7.1 percent.

"We've made it through our second year as a publicly held company," Fouse said. "We beat consensus expectations every time [and] have rolled out significant new products."

Alcon went public in March 2002 when its parent, Swiss food giant Nestlé, spun off about 25 percent of its shares.

Profits for the year were $595.4 million, or $1.92 per share, up almost 28 percent over last year. Yearly sales climbed more than 13 percent, to $3.4 billion.

Alcon also said Wednesday that it plans to pay a dividend of 0.72 Swiss francs — the equivalent of 59 cents at Wednesday's exchange rate — to shareholders in April. It is the second dividend the company has paid since going public.

The company warned, however, that several factors should slow the growth in sales and earnings this year.

They include the expiration of the patent for an antibiotic solution, expenses related to changes at a manufacturing facility in Ireland and increased marketing expenses to prepare for the 2005 launch of several new products.

"We're really reinvesting back into the business in the form of higher promotional spending," Fouse said.

Alcon expects 2004 earnings per share of $2.15 to $2.18.

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Busine
Alcon

EARNINGS

22 April 2005

Alcon quarterly profit surges to $249.5 million

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

Alcon's earnings soared almost 31 percent to $249.5 million in the first quarter as the Fort Worth eye-care giant once again posted higher sales in the United States and overseas.

Global sales climbed more than 11 percent to almost $1.1 billion, led partly by brisk sales of pharmaceutical products, according to financial results released after the market closed Thursday.

The earnings amounted to 80 cents per share for the maker of drugs, surgical equipment and consumer products. During the same period in 2004, Alcon earned $191 million, or 61 cents per share.

"We experienced broad sales growth on both a geographic and product line basis," Chief Executive Cary Rayment said in a statement Thursday. "At the same time, we continued to leverage our global infrastructure for even faster growth in profits."

Rayment also noted that Alcon received U.S. approval during the quarter for its latest intraocular lens, a product for cataract patients that has significant growth potential.

Highlights of the results:

- Sales grew almost 8 percent in the United States and almost 15 percent internationally. They also increased across Alcon's three main product lines, with pharmaceuticals showing the biggest increase.
- Sales of intraocular lenses increased more than 10 percent to $156.3 million, due largely to market-share gains.
- Sales of glaucoma medicines rose almost 21 percent, led by a more than 43 percent surge for the drug Travatan.
- Drugs made up just over 40 percent of sales, while surgical products amounted to almost 46 percent. Consumer eye-care products, such as contact lens disinfectants, accounted for the rest.

Looking ahead, Alcon projected 2005 sales of $4.33 billion. Earnings per share are expected to be between $3.25 and $3.30.

Before the earnings were released, Alcon's stock (ticker: **ACL**) closed Thursday at $89.36, up $1.85 on the New York Stock Exchange.

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Alcon rated one of best companies to work for

6 Jan 2004

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

Alcon Laboratories is the only Tarrant County employer among *Fortune* magazine's latest ranking of the "100 Best Companies to Work For."

The Fort Worth-based maker of eye-care products ranked No. 59 — down from No. 40 last year — and made the list for the sixth straight year.

Alcon has about 2,600 employees locally and more than 6,000 across the United States. The company has a voluntary turnover rate of less than 5 percent.

Two Dallas companies not only made the list, but also ranked in *Fortune's* Top 10 employers.

The Container Store, which has hovered near the top of the annual ranking for the past five years, hung in at No. 3. The retailer won praise for offering workers monthly chair massages, yoga and stretching classes and an online exercise and nutrition diary.

Construction company TDIndustries ranked No. 7, with kudos for a program that covers 100 percent of employees' tuition, fees and books at any state college.

Other Texas companies on the list included: VHA, an Irving-based coalition of non-profit health care organizations, No. 37; Austin-based Whole Foods Market, No. 47; Houston-based Continental Airlines, No. 62; Dallas-based chip maker Texas Instruments, No. 91.

J.M. Smucker, the Ohio-based jelly giant, topped the list.

Nationwide, only 16 technology companies made the cut, compared with 22 businesses five years ago. There are seven hospitals this time, up from two in 1998.

To create the list, researchers at the Great Place to Work Institute surveyed more than 46,000 employees from 304 candidate companies.

Alcon reports big 3rd quarter

ALCON Alcon profits rise on strong sales of allergy and glaucoma medications.

25 Oct 2002

By BOB COX
STAR-TELEGRAM STAFF WRITER

FORT WORTH — Alcon reported a sharp increase in third-quarter profits Thursday, due in large part to strong sales of its glaucoma and allergy drugs.

Third-quarter earnings totaled $125.1 million, a 76 percent increase over the same period a year ago. Earnings per share for the quarter were 41 cents, up 71 percent.

The company's performance did not disappoint analysts. "It was definitely a solid quarter all around," said Avi Horev, an analyst with J.P. Morgan.

Alcon, the world's largest eye-care company, develops and manufactures optical surgery equipment, prescription eye-care drugs and contact lens solutions.

More on ALCON on 5C

25 Oct 2002

ALCON

Continued from 1C

About 75 percent of the Fort Worth-based company's stock is owned by Nestle of Vevey, Switzerland.

The company's stock was sold publicly for the first time in March.

Alcon's sales for the period ended Sept. 30 were $743.9 million, a 10 percent increase over a year ago.

Sales of Alcon's glaucoma drugs rose 27 percent to $87.2 million. Sales of Travatan, a recently introduced opthalmic solution to treat glaucoma, grew more than fivefold over year-ago levels to $17.7 million.

Sales of the drug Patanol, an eye solution for treating allergy symptoms, increased 37.9 percent to $44.4 million during the quarter. The company said its U.S. sales of Patanol were strong because of a more severe spring allergy season.

"They've had pretty impressive growth in the pharmaceutical business," Horev said.

Alcon spokeswoman Mary Dulle said the company has high hopes of getting regulatory approval to begin selling a new, once-a-day formula of Patanol by early next year, which is expected to boost sales further.

Alcon shares closed 99 cents lower at $38.01 a share in trading Thursday, but Horev said that the stock has performed well recently and that he likes the company's prospects.

"They're reporting solid, top-line [sales] growth and cutting [administrative] costs," Horev said, which is expected to translate into profits growth and a solid stock price performance.

Alcon employs about 2,600 people at its south Fort Worth campus. The company is building a 200,000-square-foot expansion to its research and development laboratories that is scheduled to be finished in 2004.

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Alcon selects new leader

NEW LEADER Alcon will have a new chief executive, but the Fort Worth eye-care company expects the rest of its leadership team to remain intact.

13 July 2004

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

Alcon's chief executive will retire in October and hand the helm to Cary Rayment, the senior vice president who now oversees the eye-care giant's U.S. operations, the company announced Monday.

Rayment, 57, will become the fourth CEO in Alcon's almost six-decade history — succeeding Tim Sear, a 33-year Alcon veteran who has led the company since 1997.

Alcon also announced that Kevin Buehler, 47, a 20-year Alcon veteran who is vice president over Latin America, Canada and the Far East, will be promoted in October to replace Rayment.

RAYMENT

Rayment said Monday that he expects to maintain the company's executive team, continue its focus on research and development, and emphasize growing international markets, including Russia and China.

"This is a global company," he said. "We see great opportunities around the world. So one of the objectives I'm going to have is to make sure we make the right investments."

Rayment will take over one of Tarrant County's largest public companies. Alcon

More on NEW LEADER on 8C

NEW LEADER

Continued from 1C

Business
Alcon

posted sales of $3.4 billion last year for its ophthalmic surgery equipment, prescription drugs and consumer eye-care products.

Alcon — which was founded and remains based in Fort Worth, although it is now incorporated in Switzerland — has almost 12,000 employees and operations on six continents. It went public in March 2002 when its parent, the Swiss food company Nestle, spun off about 25 percent of Alcon's shares.

The company has booked strong profits since then, with earnings soaring almost 47 percent to $191 million in this year's first quarter, compared with the same period a year ago. The latest results are largely the result of brisk sales of its allergy medicines and other prescription drugs, as well as strong performances by several products introduced in recent years.

SEAR

Now, Alcon is banking on gains from the launch later this year of a new intraocular lens and the introduction in 2005 of a treatment for the most severe form of age-related macular degeneration.

Sear said Monday that Alcon's directors spent months considering his potential successors both internally and outside the company before selecting Rayment.

Rayment became the logical choice, with excellent skills and knowledge of Alcon's staff and products, Sear said.

"I think, in all fairness, Cary was the most obvious candidate internally. That was not a debate," Sear said. "Going forward, it should be very smooth."

Sear, 67, will continue as Alcon's chairman until the company's next annual meeting in May 2005.

A native of Washington, Rayment joined Alcon in 1989 after the company's acquisition of CooperVision Surgical. He held a variety of positions before being named senior vice president of Alcon United States in January 2001.

He lives in Colleyville with his wife, Janet, and is active in the United Way of Metropolitan Tarrant County and the Library Foundation Board of Colleyville.

Sear, who is originally from England, joined Alcon in Australia in 1971. He has held numerous positions at the company, including a 14-year stint as chairman of Alcon International.

After leaving Alcon next year, Sear said he expects to keep his Texas home and to remain active in philanthropic ophthalmology organizations, particularly international efforts to prevent blindness.

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Cary Rayment

Title: Newly selected CEO of Alcon

Age: 57

Current position: Senior vice president, Alcon United States

Experience: Began his career in 1974, with the Kendall Co., where he held a variety of sales and marketing posts. Joined Alcon in 1989, after the company's acquisition of CooperVision Surgical. Assumed his current position in 2001.

Education: Bachelor of science in education from the University of Washington; MBA from the University of Kansas; graduate of the Harvard Program for Management Development.

Community involvement: Member of the board of directors of United Way of Metropolitan Tarrant County. Serves on the Library Foundation Board of Colleyville.

Family: Lives in Colleyville with wife, Janet. They have one adult daughter, Kelly.

22 March 2002

Alcon stock gets warm welcome

STOCKS Shares start trading at $33 and finish the day up $1, to much jubilation at the company's Fort Worth headquarters.

By BARRY SHLACHTER
STAR-TELEGRAM STAFF WRITER

Alcon Laboratories went public in style Thursday on Wall Street, and the world's largest eye care products maker instantly became one of Tarrant County's most valuable publicly traded companies.

The mood at Alcon's South Freeway headquarters in Fort Worth was jubilant as shares began trading on the New York Stock Exchange. Many of the 2,600 local employees clapped and cheered when a satellite TV feed showed Alcon Chief Executive Tim Sear and other executives from Alcon and its Swiss parent company, Nestle, ring the bell to start the exchange's trading day.

Nestle, a major food company,

More on STOCKS on 22A

STOCKS

Continued from 1A

raised $2.3 billion by selling 23 percent of Alcon to the public. Alcon's shares began trading at $33 and finished the day up $1, or 3 percent.

Alcon's first-day performance on the NYSE "Big Board" was no surprise, said Melanie Hase, an analyst with Renaissance Capital Corp.'s IPO Fund.

Many stocks surge immediately after they go public, meaning that the companies underpriced their shares. That was not the case with Nestle in the initial public offering of Alcon shares.

"Given the fundamentals of its business, Alcon basically traded as expected," Hase said.

With strong product lines and a stable earnings history, Alcon, whose products include Opti-Free contact lens solution, is a "defense play" for investors, she said.

"You buy a defense play in a volatile market as a long-term investment," Hase said. "And I think it's a good long-term investment given the fact it has a strong pipeline — a lot of drugs in development for treatment of glaucoma, eye infections, inflammations and allergies. They have a lot of potential. Alcon is also improving its surgical equipment business and introducing new equipment."

Nestle sold 69.75 million Alcon shares in the initial public offering and retains 77 percent of the company.

Alcon's IPO was temporarily the largest of the year. It was surpassed by Travelers Property Casualty Group, which raised $3.8 billion Thursday night in its IPO.

Nestle CEO Peter Brabeck-Letmathe told CBS. MarketWatch.com that the Alcon IPO was the largest ever in the health sector.

"We felt we had sufficient interest" to carry out the IPO, he said.

In Fort Worth, employees at Alcon's normally low-profile headquarters enjoyed free cake and sported buttons that read, "We're public! Alcon is ACL," referring to the company's trading symbol.

Some employees purchased 100 shares at $33 apiece under an Alcon offer, saw their investments immediately increase in value and broke out in the Depression-era hit *We're in the Money*.

And outside, at the headquarters' gate, Alcon hung a "Happy IPO Day!" banner, spokeswoman Suzy DeMent said.

In going public, Alcon holds the second-highest stock market value — $10.2 billion — among publicly traded companies whose headquarters are in Tarrant County. Only the shares of Burlington Northern Santa Fe, based in Fort Worth, are worth more, $11.6 billion. By contrast, AMR Corp., the Fort Worth parent of American Airlines, is worth $3.9 billion.

In revenue, Alcon is decidedly smaller. AMR had $18.9 billion in 2001 revenue. Alcon had $2.7 billion, and Burlington Northern had $9.2 billion.

Industry analysts voiced some concern that Nestle retains so much of Alcon and that the proceeds from the sale of the stock went to pay down Nestle debt — and not to Alcon for ongoing operations and product development.

Renaissance Capital also said it was concerned about foreign currency exposure, which "could harm the bottom line" at Alcon.

But the overall review of Alcon's business was positive.

The company "is a solid business with a strong track record, and it is led by an experienced management team, which will take this company to the next level," Renaissance said in a report to clients.

Alcon, founded in 1945 by Fort Worth pharmacists Robert Alexander and William Conner, was publicly traded from 1971 to 1978, the year it was taken over by Nestle.

At the time, it had a market value of $300 million.

It has grown immensely since then and, based on its 2001 revenues, calls itself the world's largest maker of eye care products.

Alcon reported a $357 million net profit last year and has 11,000 employees.

Barry Shlachter, (817) 390-7718
bshlachter@star-telegram.com

ONLINE: For the latest headlines from across the nation, go to www.dfw.com and click on the news channel.

1995 Winners - Alcon Technical Excellence Awards

Mark R. Hellberg, Ph.D.

Dr. Mark Hellberg is recognized for his contributions in the discovery and qualification of drug candidates in the areas of Allergy/Inflammation, Surgical Drugs, Degenerative Diseases and Glaucoma.

Since joining R&D's Lead Optimization Department in 1990, Dr. Hellberg has demonstrated a keen aptitude for the drug discovery process. His pioneering work in the areas of antioxidants and calcium channel blocker/antioxidant "dual pharmacophore compounds" has led to the identification and qualification of key compounds in the areas of Allergy/Inflammation, Surgical Drugs, Degenerative Diseases and Glaucoma. These compounds are: AL-5898 (and its isomers AL-8247 and AL-8417) as Lead Compounds for a proprietary irrigating solution; AL-7032A a lead candidate as a cytoprotective agent with potential utility in glaucoma, retinal diseases and certain surgical indications; AL-5741 a lead candidate for the treatment of cataracts. One of these compounds will be elevated to project status by mid 1996. These compounds have the associated patent applications and Dr. Hellberg is a key inventor. Dr. Hellberg has also contributed in other key areas, including prioritizing PAF antagonists based on physical-chemical properties and PAF antagonists activity, and the characterization of new and potent human mast cell stabilizers. Dr. Hellberg has achieved this level of technical excellence by creatively constructing compounds which unite key activities within a single compound. Based on the combined activity of these compounds, they provide innovative opportunities for new products. Dr. Hellberg is recognized as an expert by his colleagues and is associated with essentially all aspects of the discovery process within Research. He effectively collaborates with his peers at the informal level and is able to stimulate discussions and activities which further the discovery process. Dr. Hellberg is currently the prostaglandin team leader and has contributed significantly in this area. He also has played a key role in acquiring expertise in the combinatorial chemistry and high throughput screening technologies.

1979	B.S., Chemistry, Washington College
1984	Ph.D., Medicinal Chemistry, Medical College of Virginia
1985	Research Associate, Medicinal Chemistry, University of Kansas
1985	Senior Scientist, A.H. Robins
1990	Senior Scientist III, Lead Optimization, Alcon Laboratories
1994	Principal Scientist, Lead Optimization, Alcon Laboratories
1996	Associate Technical Director, Drug Discovery, Alcon Laboratories

Harry House, B.S.

Mr. Harry House is recognized for the design, development and implementation of the R&D high speed computer and data network.

Mr. House joined Alcon Computer Information Systems (CIS) in 1991 and assumed responsibility for R&D networking and data communications. Computer access in 1991 was provided by hundreds of data terminal connections to VAX computers through low speed (9600 bits/second) connections wired directly to specific computers. In 1995 the network backbone was upgraded to 100 Megabits/second with the ability through module changeouts to provide future throughput into the Gigabit/second range. The network currently consists of over 1500 network ports with approximately 1200 connections spread throughout IOL, Conner Center, the Quality Assurance building, the Surgical Tower basement, Process Development, Irvine R&D and remote communications to Paris, France. Mr. House designed and installed the initial network infrastructure for R&D with a network cable capacity of 10 Megabits/second; that cable capacity is now over 100 Megabits/second.

Mr. House has incorporated numerous design features that provide R&D with a highly redundant, highly flexible and manageable network with exceptionally high user availability. Automatic switching between fiber cable strands provides network backbone redundancy and a dual backbone design provides double backbone redundancy. The Simple Network Management Protocol (SNMP) incorporated into the design allows a single person to perform configuration control and secure over 1200 network connections.

Alcon R&D is one of only eight locations in the US that is a beta site for the newest network switching technology that will decrease connection times and automatically set up alternate network paths for information flow when a failure occurs. Through Mr. House's efforts and expertise, Alcon R&D has a communications capability that is providing opportunities for productivity improvements in nearly all R&D departments. He is a recognized technology leader both within Alcon and within the data communications industry.

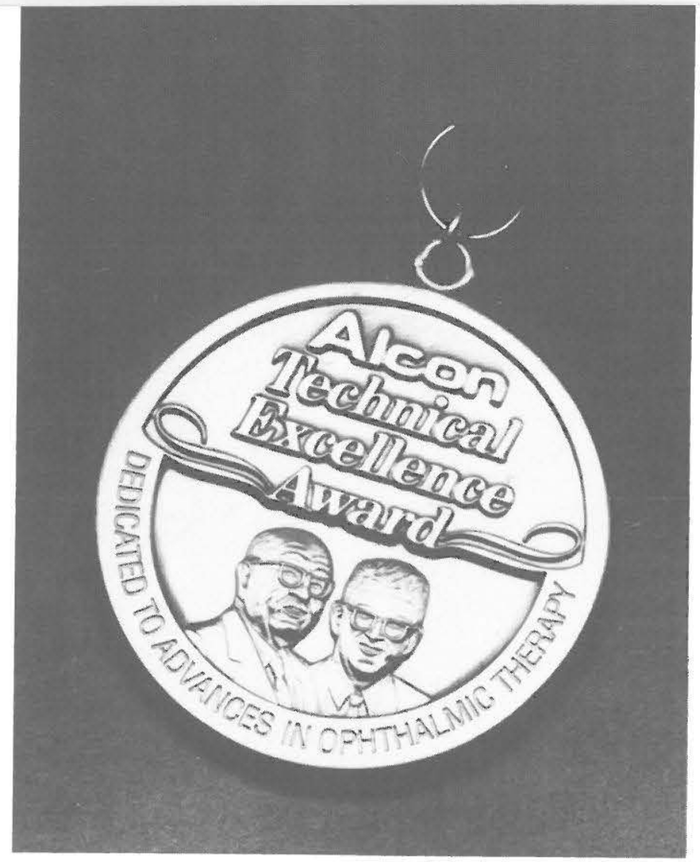
1980	Telecommunications Computer Interface Analyst, Abilene Christian University
1985	Manager of Network Services, Abilene Christian University
1986	B.S., Computer Science, Abilene Christian University
1991	Senior Systems Analyst I, CIS, Alcon Laboratories
1993	Senior Systems Analyst II, CIS, Alcon Laboratories
1996	Systems Manager, CIS, Alcon Laboratories

Stephen J. Van Noy, B.S.M.E.

Mr. Stephen Van Noy is recognized for his technical and leadership contributions in the product development of the ACRYSOF® intraocular lens and its subsequent transfer to Manufacturing.

Mr. Van Noy has been involved with the ACRYSOF® product for over eight years and was the key product development engineer for the product. He developed the product specifications and worked to ensure maintenance of product performance during the clinical study, regulatory approval and product transfer. He planned and coordinated the documentation of product, process and material testing necessary for regulatory submissions. Mr. Van Noy also worked in close cooperation with surgeons and the IOL Clinical Research group in developing instruments and surgical handling techniques; this understanding of surgical manipulation requirements led to a standard evaluation procedure for new folding and handling forceps. He was co-inventor of the AcryPak™ packaging system and has several new insertion instrument patent filings in process.

1981	B.S., Mechanical Engineering, California Polytechnic University, Pomona
1981	Development Engineer, ORMCO Corporation
1983	Sr. Development Engineer, IOLAB Corporation
1985	Engineering Manager, VLI Inc.
1986	R&D Manager, Optical Radiation Corporation
1987	Sr. Development Engineer, CooperVision
1989	Manager, Advanced Product Development, CooperVision
1990	Manager, IOL Development, Alcon Laboratories
1993	Assistant Director, IOL Development, Alcon Laboratories



Alcon Technical Excellence Awards

July 23, 1996
2:00 p.m.

Alcon Auditorium

Business
Alcon

Alcon to launch IPO today

By TREBOR BANSTETTER
STAR-TELEGRAM STAFF WRITER

21 March 2002

FORT WORTH — Shielded for decades from the forces of the public markets, Alcon Laboratories joins the fray as a publicly traded company today when its stock is launched on the New York Stock Exchange.

The eye care products company will instantly become one

IPO Eye care company Alcon Laboratories joins an exclusive club: Tarrant County's largest public corporations.

of Tarrant County's largest public companies when Tim Sear, Alcon's chief executive, rings the stock exchange's opening bell. He will be joined by Peter Brabeck-Letmathe, chief executive of Alcon's parent company, Nestle.

The Swiss-based food industry giant decided this year to spin off 23 percent of Alcon's stock. The stock will be priced at $33 per share when the market opens and will raise an estimated $2.2 billion for Nestle in the initial public offering. Nestle will retain 77 percent of the company.

"We think this is going to be a strong offering," said Melanie Hase, an analyst with Renaissance Capital Corp.'s IPO Plus Fund. "It's got good fundamentals, and it's got a nice pipeline of new products coming in over the next year or so."

Alcon is the world's leading eye care company. It develops and makes prescription eye care drugs, eye-surgery equipment and contact lens care products. The company has 11,000 employees worldwide, including 2,600 in Fort Worth.

An estimated 69.75 million Alcon shares will be sold. Nestle says it plans to use the

More on IPO on 3C

IPO

21 March 2002

Continued from 1C

money to retire debt.

Alcon, which was founded in 1945, exited the public markets in 1978, when Nestle bought it out. Since then, the company has grown substantially, and last year it had $2.75 billion in revenues.

Its status as a wholly owned company has also given Alcon the ability to fly below the radar screen. For decades, it has disclosed little about its finances and business strategy.

That will end as it once again becomes a publicly traded security. Alcon's management will have to release detailed financial reports to investors and the Securities and Exchange Commission, and the company will be under pressure from Wall Street to meet expectations.

Most analysts have been supportive of the company, citing its strong market share and potential for growth.

On the downside, Hase pointed out that the proceeds from today's offering won't go toward new projects or expansion but will go directly to Nestle.

"We don't really like that aspect," she said, but added that it's "fairly common" in cases when just a portion of a company is offered for sale.

Nestle said Alcon has granted the IPO's underwriters the option to buy an additional 6.97 million common shares to cover over-allotments. Alcon would receive those proceeds and use them to repay debt.

Hase also said that because of Alcon's substantial international business, the company is vulnerable to some risk in foreign exchange rates.

But Hase said the stock should be attractive to investors looking for a stable company.

"Alcon is a defensive company in a volatile market," she said. "It's not something that's going to keep you awake at night."

New kid on the block

Alcon Laboratories becomes Tarrant County's newest publicly traded company today.

Headquarters: Fort Worth

CEO: Tim Sear

Employees: 11,000 systemwide, 2,600 in Fort Worth

Stock: New York Stock Exchange under symbol ACL

Business: World's leading eye care company

Market share: Optic drugs market, 17 percent; eye surgical equipment market, 43 percent; contact lens care market, 18 percent

Sources: Securities and Exchange Commission, Alcon

ONLINE: Alcon Laboratories, www.alconlabs.com

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Business
Alcon

Alcon tops forecast in its first earnings report

3 May 2002

By TODD MASON
STAR-TELEGRAM STAFF WRITER

EARNINGS High margins and a successful new drug give the health care company higher-than-expected earnings, boosting its stock.

FORT WORTH — Alcon Laboratories blew by analysts' estimates in its first earnings report as a public company. Shares of the Fort Worth company jumped 6 percent in New York Stock Exchange trading to close at $36.50.

"I loved what I saw," said Theodore J. Huber, a Banc of America analyst. "They beat our numbers significantly. Their operating margins are better than we thought. It was a great way to start out as a public company."

Alcon went public March 20 when parent Nestle sold 25 percent of the company in an initial offering priced at $33. Banc of America co-managed the initial public offering.

Alcon earned $108.2 million, or 38 cents a share, in the three months that ended March 31, compared with $94.5 million, or 31 cents a share, in the same period last year. The comparison excludes a one-time charge of $22.6 million related to the IPO and adds $10.1 million to the previous quarter to adjust for accounting changes that took effect this year.

SEAR

Huber adjusts earnings per share a final time to reflect the actual number of shares outstanding at the end of the quarter. His number, 35 cents a share, compares with analysts' average estimate of 30 cents.

Alcon's new glaucoma drug, Travatan, powered the company's strong quarter, with the company's glaucoma segment rising 20 percent to $80.3 million. Sales were $706.5 million in the quarter, compared with $654.8 million in 2001.

Foreign currency translation shaved 3 percentage points from the company sales growth, which would have been 10.9 percent if the dollar had held its value against other currencies.

Alcon hedged its currency exposure in Japan, a principal market for its U.S.-made surgical equipment but otherwise expects to weather the weakening dollar.

"About half of our sales are international," CEO Tim Sear told analysts during a conference call Thursday. "We've lived with currency fluctuations, and we've stayed the course."

Alcon expects sales of $3 billion in 2002 and earnings of $1.35 a share.

The one-time charge represented the cost of converting a deferred compensation plan for 1,200 Alcon employees to a stock incentive plan. Employees who agreed to the change received stock at the IPO's price of $33.

Todd Mason, (817) 390-7552
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3 May 2002

Buin
Alcon

DRUGS

Alcon treatment suffers setback

25 Sept 2007

By MARIA M. PERОTIN
mperotin@star-telegram.com

A treatment for blindness created by Alcon has suffered another setback, with federal regulators refusing to approve the drug unless the Fort Worth-based eye-care company does an additional clinical study.

The company said Monday that it has no plans to conduct another study on Retaane, which Alcon originally had hoped would be a breakthrough treatment for age-related macular degeneration — the leading cause of blindness among older Americans. Instead, Alcon now hopes to find a use for the drug as a glaucoma treatment or as a tool in reducing the progress of macular degeneration.

Alcon's troubles with Retaane date to October 2004, when the company disclosed disappointing results in a study of the drug. Since then, California-based Genentech has shaken things up further, with the launch of a rival macular-degeneration treatment that showed dramatic improvements in some patients.

In a statement Monday, Alcon said it wouldn't attempt the extra Retaane research on Retaane "due to the difficulty of recruiting patients for such a study in light of other treatments currently available."

After Monday's announcement, Alcon's stock (ticker: **ACL**) fell $1.17 to $140.98 in after-hours trading.

MARIA M. PEROTIN, 817-390-7339

Alcon will add 10,000-square-foot facility

By Sandra Baker
Fort Worth Star-Telegram

FORT WORTH — Alcon Laboratories will be adding a 10,000-square-foot building to serve as its process development facility at the company's headquarters in south Fort Worth.

Construction on the facility should begin this fall and be completed by mid-1993, said Mary O'Neill, director of professional relations for Alcon, a worldwide leader in eye-care pharmaceutical products.

Process development concerns clinical testing on products being researched, she said. "We need the space," O'Neill said. "We have a very active research department that's investigating new things."

> ***"We have a very active research department that's investigating new things."***
>
> — Mary O'Neill
> Alcon professional relations director

The new one-story facility will be located west of the main administration building near the center of the Alcon campus, 6201 South Freeway, she said.

According to the Associated General Contractor newsletter, construction bids will be opened this week. At this point, O'Neill said, "we're just looking at the construction." A project cost was not disclosed.

In October, Alcon is scheduled to complete an expansion to its surgical annex. That addition will provide administrative space for its sales and marketing staff of the surgical division.

Last year, the company completed a $31 million expansion involving a 170,000-square-foot warehouse and 100,000 square feet to its manufacturing facility.

The expansion allowed Alcon, which is owned by Nestle S.A. of Switzerland, to more than triple its production of contact lens solution.

Aloecorp purchases historic downtown office building

By Mark S. Leach
Fort Worth Star-Telegram

FORT WORTH — Six months after contracting to buy 910 Houston Place, Aloecorp has completed its long-anticipated purchase of the historic downtown office building.

The Harlingen-based company acquired the 60,000-square-foot property July 10 from the Resolution Trust Corp., according to deed records posted last week at the Tarrant County Courthouse.

The purchase price was not available; the asking price for the building and adjoining 257-space parking garage was $1 million.

The deal originally was scheduled to close in late May, more than a month earlier than the actual closing. The sale was so delayed, in fact, that Aloecorp already had relocated its nine-member sales department to the fifth floor of the eight-floor property several days before the sale went through.

Brokering the sale was the Norman Lindley Co., and title work was done by Stewart Texas Title Co. The Norman Lindley Co. also will manage and lease the property.

Boasting sales of $10 million a year, the privately owned Aloecorp supplies raw aloe material to cosmetics manufactureres, health stores and pharmaceutical companies. It is a subsidiary of Nam-Yang Aloe Co. Ltd., a Seoul firm with opertions in Asia and Europe.

Aloecorp's sales department move this month is expected to be the first of a series of departmental relocations that, over the next two to three years, could involve 230 workers, including about 100 local hires, company officials said in January when the firm contracted to buy the building.

The next move is expected to be by Aloecorp's research department, which will relocate to a laboratory planned for the eighth floor.

The deal marks a return to stable ownership for the 86-year-old building, which has a long history of redevelopment and financial troubles.

Built for Western National Bank in 1906, the building was taken over by another bank several years later after Western failed. The new owner added two floors to the original six-floor structure, bringing the building up to its current height. The second bank also failed, and the property was sold at auction.

The building was refurbished and given an attached parking garage in 1983 by local investor Bill Harvey, who called the troublesome project his worst deal ever. He sold it in 1987 to a San Antonio developer, who lost the property in a $7.1 million foreclosure two years later to Victoria Savings & Loan Association.

Soon after, ownership was assumed by the RTC.

EYE CARE

Alcon won't appeal ruling on patent

1 April 2004

Fort Worth-based eye-care giant Alcon said it has given up a patent dispute over laser technology used in refractive eye surgery.

Last week, the Court of Appeals for the Federal Circuit in Washington, D.C., upheld a lower court's 2002 ruling that competitor Nidek had not infringed on Alcon's patent.

Alcon said the cost of further appeals isn't warranted.

— Maria M. Perotin

Business
Alcon Lab.

25 Dec 2000

Alcon workplace holds No. 34 ranking in Fortune survey

Alcon Laboratories has been one of Fort Worth's best-kept secrets. The eye-care company's south Fort Worth campus is nestled out of sight even from nearby Interstate 35W, and the company keeps a low profile.

But that could be changing, given that for three years the company has made *Fortune* magazine's list of the 100 best places to work. In the latest survey, released last week, Alcon ranks No. 34, the only Tarrant County-based employer on the list.

Alcon also was No. 34 last year and was No. 86 in 1998, its first year to apply for ranking, says **Jack Walters,** vice president of human resources.

The company, which has about 2,500 employees in Fort Worth, hasn't gone completely unnoticed in its hometown. It led the pack when the *Star-Telegram* surveyed 401(k) retirement plans in 1996, and its employee cafeteria made the menu of Tarrant County's corporate gourmet lunch stops last year.

Most recently it led **United Way** givers at $2 million, narrowly topping **RadioShack.** We can't say it was just because retired Alcon Chairman **Ed Schollmaier** was this year's United Way chief, because it has also been a top contributor in past years, too.

But the *Fortune* ranking has to rate highly, given the competition and the rigor of the rating. Walters says that once the company toots its own horn, the list's organizers send at least 250 surveys to employees, who fill them out anonymously and return them straight to the Great Place to Work Institute in San Francisco.

"It's very much a numbers thing," Walters says. Each company gets a Trust Index that attempts to reflect how much employees trust management to do right by their workers, customers and communities.

It's a major effort, but also worth it, he says. The companies get a breakdown of the survey results by race, sex, hourly vs. salaried, and other categories. "You'd pay thousands of dollars for that if you paid somebody to do it," Walters says.

Fortune's comment on Alcon says "a rich package of pay and benefits" keeps workers there. But Walters respectfully disagrees.

"Good compensation and benefits attract people, but they won't stay in a miserable workplace. This is a company where people can feel good about where they work," he says.

Alcon was also nominated this year for the **Labor Department's EVE (Exemplary Voluntary Effort) Award,** and was one of 17 finalists for the **C. Everett Koop Award** for innovative and effective employee medical benefit programs.

FUQUAY, ALESHIRE, BOWEN & CO.

Alcon, Pier 1, airport receive mayor's awards

25 June

By BARRY SHLACHTER
STAR-TELEGRAM STAFF WRITER

FORT WORTH — Alcon Laboratories on Thursday was named the city's top exporting company and Pier 1 Imports the top importer at the 2004 Mayor's Global Business awards.

D/FW Airport was honored for its contribution to the region's economy with the Mayor Barr Flagship Award.

The winning companies were chosen on the basis of sales and job growth, business creativity and community involvement, said former mayor Kenneth Barr, who presented the awards on behalf of Mayor Mike Moncrief, who was in Chicago attending funerals of the Water Gardens drowning victims.

Alcon shifted production of a contact lens disinfectant from Madrid to Fort Worth during the past year; the move produced no new jobs here because of local surplus plant capacity, spokesman Mary Dulle said. However, several local warehouse jobs were created when a West Virginia-made intra-ocular lens began to be exported out of Fort Worth, Dulle said.

The eye-care company beat out two finalists, EFW Inc., which manufactures helmet systems used by helicopter and fighter pilots, and SPM Flow Control, a company that makes high-pressure products for the petroleum industry.

Pier 1 won in a field that included electronics retailer RadioShack and Rhythm Band Instruments, which specializes in quality, low-cost musical instruments.

Jeffrey Lamb of the city's Fort Worth International Center said the data used to determine the winners could not be publicly released due to promises made to the companies.

The award luncheon followed the official reopening of the center, which shifted from Taylor Street to 808 Throckmorton.

The center continues to house the city's office of international affairs, Sister Cities International, World Affairs Council, Tarrant County Asian-American Chamber of Commerce, Tarrant County College International Small Business Development Center, a "one-stop shop" for trade assistance and a Commerce Department export advisory office.

In addition, there is a new trade office for the Mexican state of Chiapas, Global Cellular International, a private trading company dealing in electronic goods and the Fort Worth bureau of a Texas weekly newspaper specializing in Asian community affairs called *Asian Beat.*

ONLINE: www.fwic.org

25 June

2004

Business
Alcon

■ **Alcon**, Switzerland, the world's leading eye-care company, reported first-quarter earnings of $130.2 million (42 cents), up from $94 million (33 cents) a year ago. Global sales rose 14 percent to $807 million. Alcon's U.S. headquarters are in Fort Worth.

FWS-T
23 April 2003

Alcon's exports draw federal scrutiny

By Michelle Fay Cortez
Bloomberg News

1/24

Novartis AG, Europe's biggest drugmaker by sales, said its Alcon eye-care unit is under U.S. government investigation related to the export of products to Iran and other countries subject to trade sanctions.

Alcon was notified last year that the U.S. attorney's office for the Northern District of Texas is conducting an investigation into its sales, Novartis said in a regulatory filing Wednesday. Alcon, whose U.S. headquarters is in Fort Worth, received a grand jury subpoena for documents dating to 2005, according to the filing with the Securities and Exchange Commission.

The U.S. attorney's office was not available for comment.

Alcon, which employs more than 2,500 people in Fort Worth, is cooperating with the investigation, its filing said. The U.S. government has programs that prohibit or limit products made or held in the U.S. from being sold to certain countries, including Iran, Syria and North Korea.

Novartis, based in Basel, Switzerland, took full control of Alcon in 2010.

Also Wednesday, Novartis Chairman Daniel Vasella, who oversaw the 1996 merger of Sandoz AG and Ciba-Geigy AG, which created Novartis, unexpectedly said he will leave after 17 years. Joerg Reinhardt, now Bayer AG's top healthcare executive and a Novartis executive until 2010, will replace Vasella as chairman.

The choice of Reinhardt, 56, puts another veteran pharmaceutical executive at the head of Novartis' board as the company navigates patent expirations on some of its top-selling medicines. Novartis forecast a mid-single-digit percent decline in profit this year and sales in line with 2012.

Staff writer Sandra Baker contributed to this report.

Star-Telegram
January 24, 2013

Busin

Alcn

Alcon's net profit climbs to $670 million in quarter

Intraocular lenses, glaucoma products and a bad allergy season drove U.S. sales. 27 July 2010

By Scott Nishimura
snishimura@star-telegram.com

Alcon said Monday that its second-quarter net profit rose to $670 million, or $2.21 per share, compared with $582 million, or $1.94 per share, for the same period last year. Sales rose to $1.8 billion from $1.67 billion at the Fort Worth maker of eye-care products.

"Key growth drivers like advanced-technology intraocular lenses, glaucoma treatments and emerging markets are providing both near-term and durable long-term opportunities," said Kevin Buehler, Alcon's CEO.

U.S. sales rose 12.7 percent "due to strong contributions" from AcrySof intraocular lenses, "healthy growth" in sales of glaucoma products and the impact of a severe allergy season on sales of Patanol and Pataday ophthalmic solutions and Patanase nasal spray.

International sales rose 10.8 percent. Pharmaceutical sales rose 16.5 per-

More on ALCON, 2C

Alcon

Continued from 1C

cent, surgical sales were up 7.4 percent and consumer eye-care sales rose 7.7 percent.

For the first six months of the year, profit was $1.2 billion, or $4.09 per share, compared with $1 billion, or $3.44 per share, last year.

Sales rose to $3.6 billion from $3.17 billion.

In January, Swiss drugmaker Novartis, which owns a 25 percent stake in Alcon, announced a deal to buy the rest of the company for $38.5 billion in cash and stock.

Scott Nishimura, 817-390-7808

Business
Alcon

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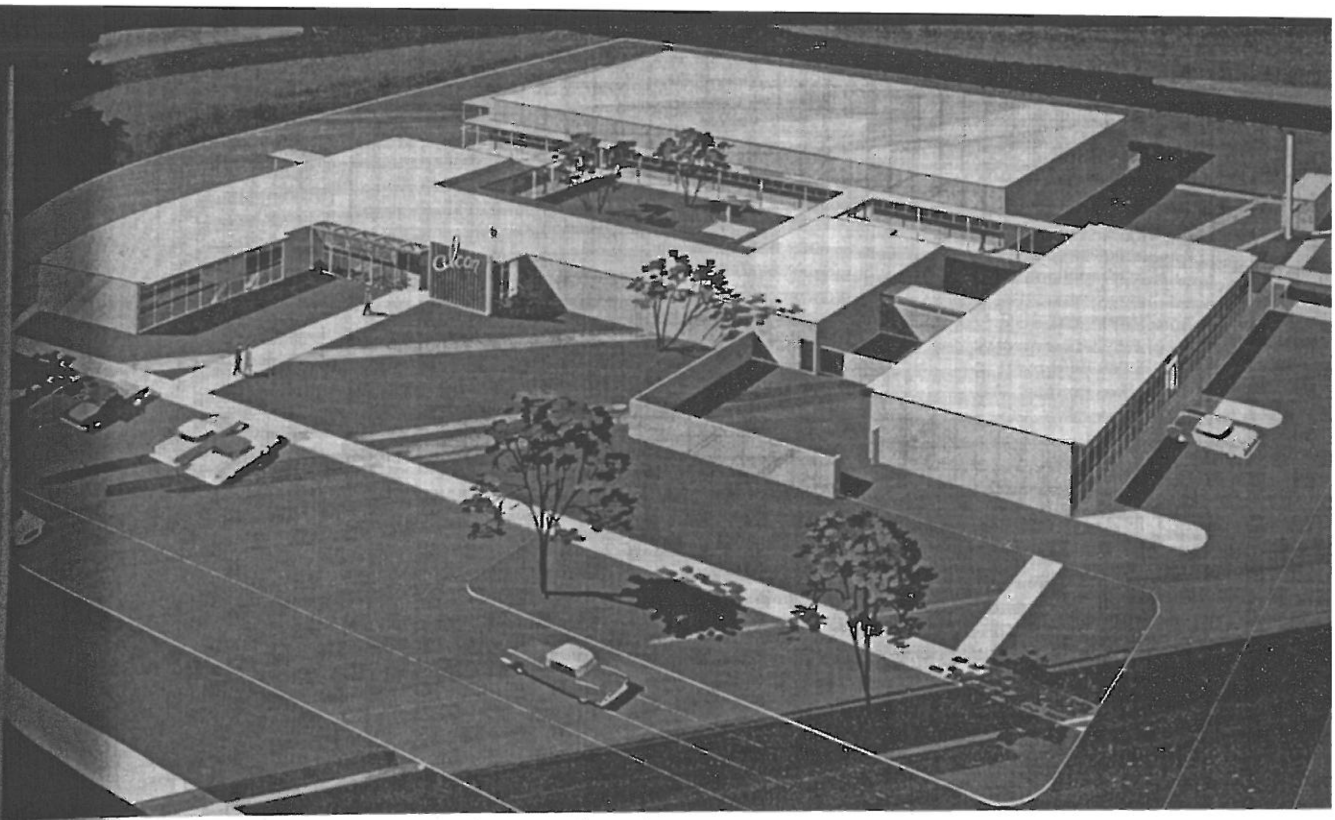


NEW MILLION-DOLLAR Alcon Laboratories, Inc., building will be built on 87-acre tract on South Expressway just beyond intersection with Southwest Loop. The site is on a hilltop with a view of Fort Worth's skyline. John W. Floore is the architect and Homer L. Baughman is the contractor.

Alcon's $1,000,000 Expansion

A Fort Worth pharmaceutical manufacturer which has increased its yearly sales more than 600 per-cent in 14 years has begun a $1,000,000 expansion program.

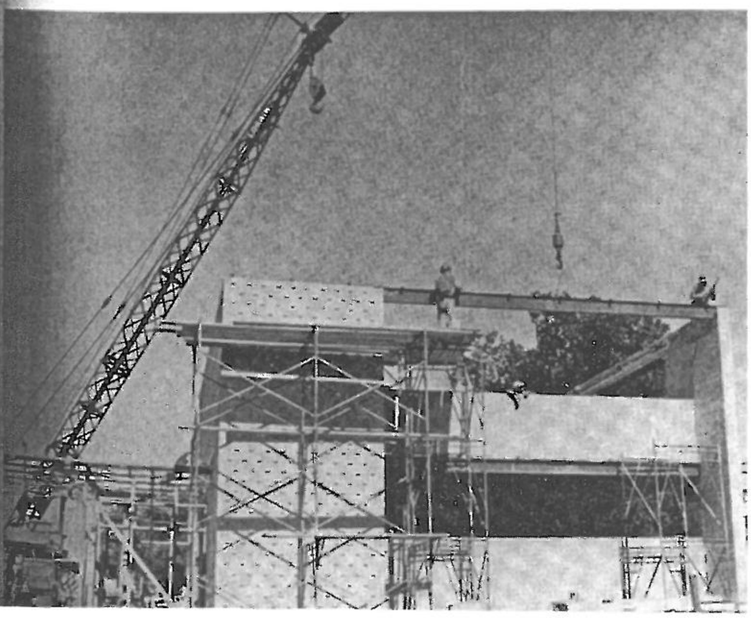
William C. Conner, president of Alcon Laboratories, Incorporated, announces the new plant and other buildings will be built on an 87-acre tract on the South Freeway north of Russell Field.

A good measure of Alcon's phenominal growth is that the plans for the buildings are the latest of three sets. Two earlier drawings had to be discarded because the company outgrew them before construction could begin.

Alcon Laboratories began operations in 1944 when Mr. Conner and R. D. Alexander, now vice president,

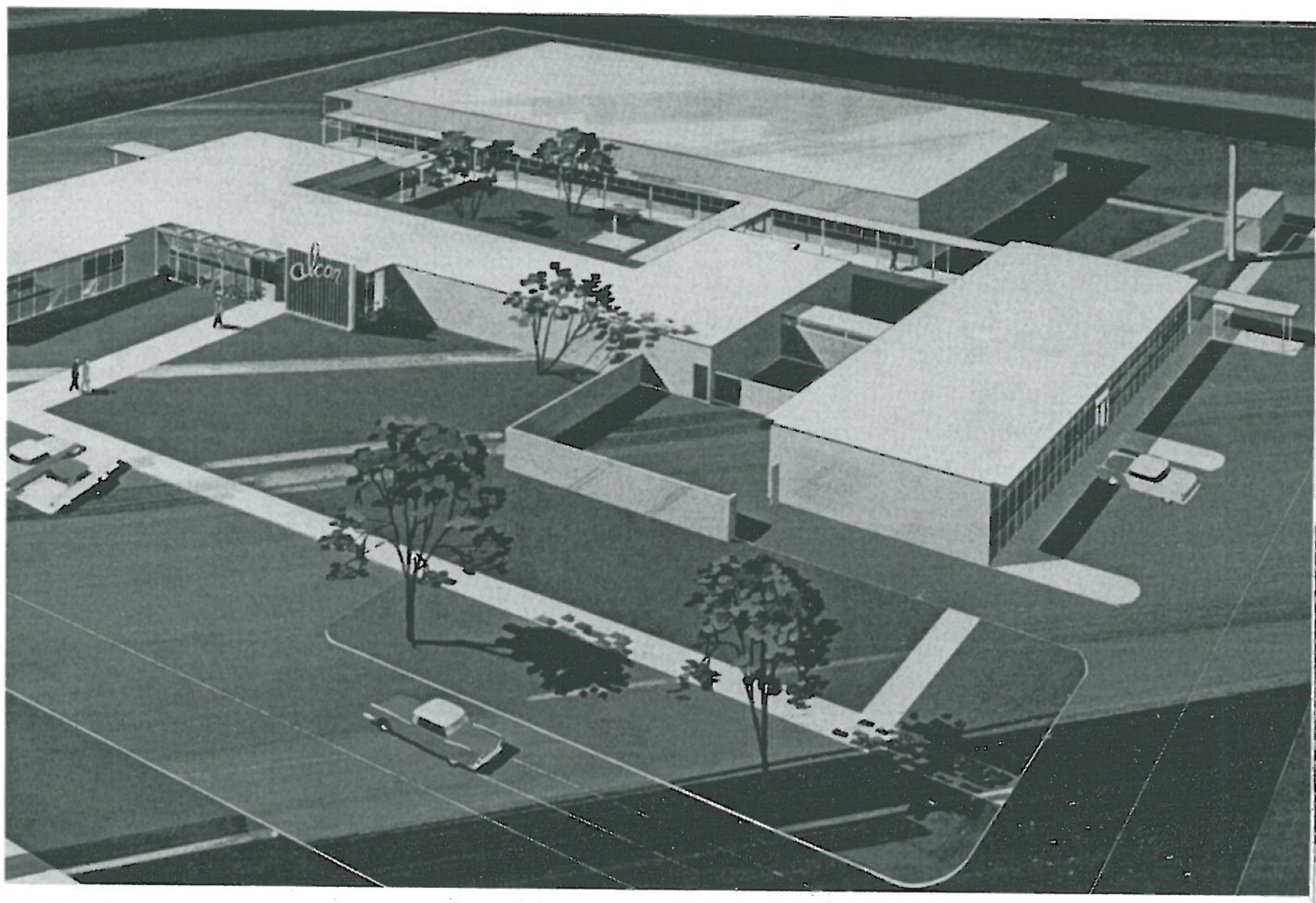
• Turn to Page 34

WORKERS PLACE BEAM in new Capitol County Mutual Fire Insurance Building at 504 S. Adams. Paschall-Sanders Construction Company is the contractor on the building designed by Preston M. Geren. Parking area will be at left of building.



William C. Connor
Alcon President

Aug. 1958
"Fort Worth"



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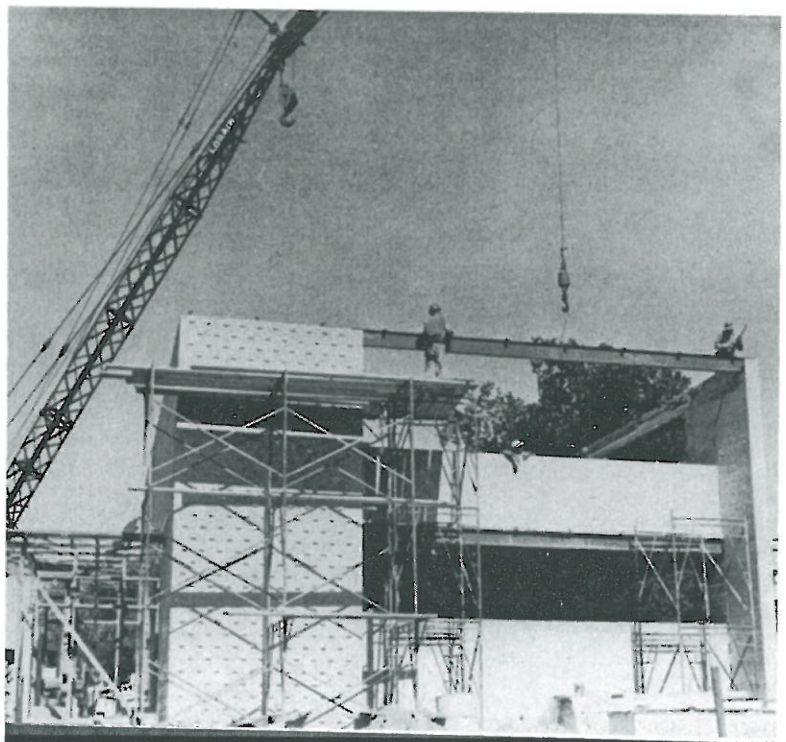
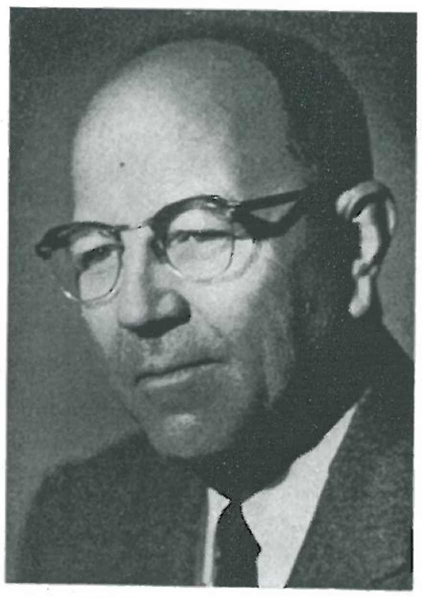
Alcon Laboratories began operations in 1944 when Mr. Conner and R. D. Alexander, now vice president,

• Turn to Page 34

RKERS PLACE BEAM in new Capitol County Mutual Fire rance Building at 504 S. Adams. Paschall-Sanders Construc- Company is the contractor on the building designed by :on M. Geren. Parking area will be at left of building.





William C. Connor
Alcon President

Alcon's quarterly earnings increase 68%

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

ALCON The eye-care company reaches a sales milestone and posts gains across an array of product lines.

Alcon's earnings climbed 68 percent in the second quarter, as the Fort Worth eye-care giant's global sales topped $1 billion for the first time in a quarter.

The company, which released its financial results after the stock market closed Wednesday, posted profits of $299.2 million, or 96 cents per share.

Jacqualyn Fouse, Alcon's chief financial officer, said the maker of ophthalmic surgery equipment, prescription drugs and consumer eye-care products made strides in markets around the world and across its various product lines.

"We continue to see great growth and profits because everything is going very, very well," she said.

Quarterly sales reached $1.04 billion — rising almost 10 percent over the same period of 2003, excluding the effect of currency fluctuations.

Some other highlights:

■ Drug sales grew more than 12 percent; surgical sales rose more than 14 percent; and consumer

More on ALCON on 3C

■ Sale of a subsidiary triples EDS' second-quarter earnings despite a loss on a Navy contract. 3C

ALCON

Continued from 1C

products were up more than 6 percent.

■ The company credited its improved profit margin, in part, to the shift in manufacturing of contact lens-care products from Spain to its Fort Worth plant.

■ Alcon raised its projections for 2004 to earnings per share of between $2.43 and $2.46.

That doesn't include an 18-cent-per-share boost from the resolution of tax issues, which contributed to the second-quarter results. Without that, earnings for the quarter would have been 78 cents per share.

Alcon had alerted investors two weeks ago that its second-quarter earnings would exceed Wall Street's previous estimates.

In a research report shortly afterward, a team of three Morgan Stanley analysts noted that they had expected the company to spend 2004 mostly investing in the upcoming launch of new products. Instead, they said, Alcon has delivered strong results all year.

"This is the second quarter in a row where Alcon has blown out the numbers," the analysts wrote. "Alcon is clearly having an outstanding year."

The company is preparing for several other developments in the coming months.

Chief Executive Tim Sear plans to retire in October and hand over the company to Cary Rayment, who is a senior vice president.

Alcon also intends to introduce a new intraocular lens this year and in 2005 to launch a treatment for the most severe form of age-related macular degeneration.

The company's stock closed Wednesday at $83.41, down 19 cents, on the New York Stock Exchange. That was before earnings were posted.

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24 July 2004

17 Sept 2003

Alexander, 88, widow of co-founder of Alcon

By BILL TEETER
STAR-TELEGRAM STAFF WRITER

OBITUARY Catherine Alexander contributed to vision care for children, to her church and other community causes.

FORT WORTH — Catherine R. Alexander, the widow of a co-founder of Alcon Laboratories whose philanthropic work included founding a resource center for visually impaired children, died Monday. She was 88.


ALEXANDER

Mrs. Alexander, who had been in declining health for several years, had myelodisplasia, her son, Denny Alexander, said Tuesday.

A memorial service will be at 2 p.m. Thursday at University Christian Church, 2720 S. University Drive, where she was a member for more than 50 years. Burial will be private.

Mrs. Alexander was born May 17, 1915, in Waco. She graduated from Central High School in Fort Worth.

In 1935, she married drugstore salesman Robert Alexander. With William Conner, Alexander created a storefront pharmaceutical company that grew into Alcon Laboratories, the global leader in research, development and marketing of ophthalmic products.

The family credits Mrs. Alexander with coining the name *Alcon*, a contraction of the men's last names.

Mrs. Alexander founded the Catherine R. Alexander Resource Center for Visually Impaired Children at Cook Children's Medical Center.

She received numerous awards, including distinguished philanthropist from the Fort Worth Metro Chapter of the National Society of Fund Raising Executives and the May Owen Humanitarian Award from the Tarrant County Medical Society.

Her desire to give to people was what Denny Alexander said he would remember most. "She was a very people-oriented person," he said.

The Robert D. and Catherine R. Alexander Foundation will continue to support charitable causes his parents favored, Denny Alexander said.

Mrs. Alexander enjoyed golf and dancing. As a youngster, she studied ballet and later became a patron of the Texas Ballet Theater, Denny Alexander said.

David Mallette, the dance company's executive director, said Mrs. Alexander contributed to the development of a new production of *The Nutcracker* in 1997 and 1998.

"She not only supported it, but she called on other potential donors," he said.

Mrs. Alexander was generous both with money and with her presence and was a common sight at Cook Children's, where she volunteered, said the Rev. Scott Colglazier, senior minister of University Christian Church.

"Catherine was deeply engaged in life. When there was a cause that she felt connected to, she supported it," Colglazier said.

"She was very much dedicated to her family. She had a way of gathering them together, and she loved them with a great deal of feeling and acceptance."

Mrs. Alexander provided a large gift to initiate a multimillion fund-raising campaign for a church addition, Colglazier said.

In addition to her son, survivors include two daughters, Lane Anne Kimzey and Anita Taylor, both of Fort Worth; nine grandchildren; and nine great-grandchildren.

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Business

Alcon

AMD treatments

Alcon, Inc. has completed an initial analysis of the one-year data from its comparative study of anecortave acetate (15 mg for depot suspension) versus Visudyne photodynamic therapy (PDT) in the treatment of wet age-related macular degeneration (AMD). In the study, the percentage of patients who maintained vision, which is defined as less than a three line loss in logMAR visual acuity, when treated per protocol with anecortave acetate was 45 percent, compared to 49 percent for PDT.

Investors hit the company's stock, which dropped 11 percent the day of the announcement.

After analyzing the data, Alcon officials said they believe there were controllable factors that negatively impacted the results, including drug reflux and treatment interval. Reflux occurs when a portion of the medication leaks out through the small incision in the conjunctiva during or immediately after application of the drug. The treatment interval refers to the medically reasonable timeframe during which re-administration of the drug should occur.

A preliminary analysis of the clinical data indicates that controlling for drug reflux during re-administration of anecortave acetate may provide a moderate improvement in patient outcomes.

Based upon discussions with the U.S. Food and Drug Administration, Alcon has initiated a clinical pharmacokinetic study to evaluate the device. It plans to submit the results of this study to the FDA during its review of Alcon's new drug application. Alcon is incorporating this device into all current and future studies of anecortave acetate worldwide.

Contact West at cwest@bizpress.net.

F @ Business Press

Oct 22-28 2004

Analysts buzzing about Alcon stock

22 April 2004

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

HEALTH With strong first-quarter sales and several new products on the way, Alcon drew investors' attention Wednesday.

Alcon's stock climbed almost $6 — nearly 9 percent — to $73.54 Wednesday as investors reacted to the eye-care company's strong first-quarter performance.

The Fort Worth-based maker of ophthalmic drugs, surgical equipment and consumer products reported profits Tuesday evening of $191 million in the year's first quarter — up almost 47 percent from the same period in 2003. Sales rose more than 19 percent, fueled primarily by brisk business in prescription drugs.

Those were stellar results for a company that has operated consistently well since going public two years ago, said Debbie Wang, an analyst at Morningstar, a research company.

"It's a fabulous little company that, I think, goes under the radar a lot," Wang said. "They're such a dominant player in this eye-care area, and they consistently pump out innovative products."

Alcon Chief Executive Tim Sear attributed the recent growth to strong sales of both new drugs and equipment and established products.

"By any measure, our results for the quarter were outstanding," he told industry analysts Wednesday morning.

Michael Lachman, an analyst with ThinkEquity Partners, was optimistic Wednesday about Alcon's prospects. He noted the company's marketing muscle and a slate of new products planned for 2005 and 2006 — especially the much-anticipated launch next year of a treatment for age-related macular degeneration.

"Interestingly, in my view, the near-term earnings numbers aren't even the main reason to own the stock right now," Lachman said. "It's that pipeline, in combination with a market leadership position."

Alcon started trading at $33 in March 2002, and since then, it has consistently outpaced the stock market. On Wednesday, the company's shares rose as high as $76 on the New York Stock Exchange before ending the day up 8.8 percent.

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Area firms curb, cancel trips abroad

20 March 2003

By BARRY SHLACHTER
STAR-TELEGRAM STAFF WRITER

TRAVEL Some companies in North Texas are calling back their employees already abroad.

The threat of war with Iraq has prompted some companies in North Texas to curtail or cancel foreign travel and, in a few cases, call back employees already abroad or allow them to return if they feel jittery.

Alcon Laboratories, a Fort Worth maker of eye-care products, told employees Wednesday to postpone all nonessential international travel "until things calm down," spokeswoman Mary Dulle said.

Earlier in the week, 40 of about 200 employees currently overseas cut their trips short, Dulle said.

"We're looking at the situation very carefully," said Steve Farley, senior vice president for merchandising and marketing at the Bombay Co., a Fort Worth-based chain of home furnishings that buys much of

More on TRAVEL on 3C

TRAVEL

20 March 2003

Continued from 1C

its merchandise overseas.

Bombay just canceled a business trip for some in his department to go "all through Europe, mostly Italy, but also France," Farley said.

Unrest in Indonesia and the Philippines had prompted a ban on trips to the Asian archipelagoes "even before the [Persian] Gulf got intense," said Farley, who this month visited China and Vietnam, "where I felt very safe."

"But that was before the Asian flu outbreak," he said. "Cathay Pacific [airlines] are now asking people to don [face] masks."

On the other hand, overseas trips by employees of giant defense contractor Lockheed Martin are increasing, because of the need to provide hands-on help to keep weapons systems running in the field, company spokeswoman Meghan Mariman said.

And others have not cut back on travel, although all Lockheed Martin workers going abroad have been told to take precautions, Mariman added.

At Exxon Mobil, an Irving-based energy giant that has

the globe's least stable regions, no blanket ban has been imposed.

But some Irving-based employees traveling overseas are trying to get home sooner to avoid possible flight delays caused by any U.S. action against Iraq, spokeswoman Sandra Duhe said.

And a "handful" of employees' families have opted for voluntary evacuation, said Duhe, who declined to give numbers or locations, citing security concerns.

Brinker International, a Dallas-based restaurant company with 17 Chili's restaurants in eight Middle East countries, including Iraq's neighbors Kuwait and Saudi Arabia, moved more than two weeks ago to institute a travel ban to the troubled region, as well as to the Far East.

"We're taking a wait-and-see attitude" about resuming travel, spokesman Tim Smith said. All of the Chili's in the region are franchised, which requires less hands-on scrutiny, he said, adding: "We certainly continue to talk to our partners by phone."

Travel to Venezuela had already been halted because of domestic political unrest, but trips to Canada and Mexico are unaffected, Smith added.

Similarly, Verizon, which has 14,000 employees in North Texas, mainly in Irving, has banned travel to Venezuela since fall.

On Wednesday, the telecommunications company heightened its security alert and stopped "a small number" of employees from traveling to the Middle East and Asia "to ensure that our employees aren't placed in harm's way," spokesman Bill Kula said.

"Our management employees who travel to those parts of the globe will use technology to communicate, conducting more teleconferences or doing business online," he said.

The travel ban includes Chennai, India, where Verizon has a software development facility, he said. It has no business in Iran, Iraq, Kuwait or Turkey.

Some companies leave the decision to travel up to the employee.

RadioShack, which is scheduled to send some employees to Asia next week, is "taking a wait-and-see attitude to determine if they'll go or not," spokeswoman Kay Jackson said. "We're leaving it up to the individual's comfort level."

Otherwise, there are no travel restrictions, she added.

The same policy is at place at French-owned Alcatel, which supplies and makes communications networks and has 2,600 employees in Plano.

"We don't force any employee to travel if they're just now up to it," spokesman Brian Murphy said. "And we don't want employees stranded."

Alcatel has about 50 Americans working abroad full time and would bring them back home "if the situation warrants," Murphy added.

Pier 1 Imports, which gave employees the option not to travel abroad for a period after Sept. 11, 2001, is watching the situation on a day-to-day basis but "hasn't made any drastic changes," spokeswoman Merianne Roth said.

EDS in Plano has taken a similar stance, spokeswoman Kristin Dobrowolski said.

Vought Aircraft, which produces parts for Boeing, similarly placed no travel restrictions on employees. Five employees are currently on international assignments, and "we're not calling anyone back," spokesman Mike Schwarz said.

Computer Sciences Corp., whose recently acquired information technology subsidiary DynCorp employs 500 in Fort Worth, is taking "prudent and reasonable precautions," spokesman Chuck Taylor said, but he cited security concerns for not spelling out its current travel policy. Practically all of DynCorp's business is with the government, he added.

Dallas-based Texas Instruments has been on "heightened security alert" since Sept. 11, 2001, which translates into an "absolute business need-only" basis for traveling abroad, spokeswoman Kim Quirk said.

"Otherwise, we haven't done a blanket recall but continuously review the situation because our employees' safety is our primary concern," she said.

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Around Alcon

January 5, 2005 Number 4
Global Distribution

Mary Dulle Elects to Retire

After nearly 13 years of service to Alcon, Mary Dulle has decided to retire effective February 28.

Mary joined the company in 1992 as Director, Professional Relations. In that position, she edited *Alcon World News, Scope* and the Alcon *Update.* She also managed the SERVA and NOVA programs, produced the *Alcon: Vision & Commitment* publications and produced the Alcon Fort Worth employee picnic. She was also Chairman of the Alcon Foundation, a position she held through 2002.

In 1998 Mary became Director, Corporate Communications, expanding the public relations aspect of her position. She began a new publication, *EuroVision,* for our European employees, redesigned *AWN* and took on planning efforts for Crisis Communications. She redesigned the Alcon *Update* into the current *Around Alcon,* initiated the Fort Worth Alcon Employee Art Show and established closer relations with the ophthalmic trade media and the local newspapers.

She assisted with public relations efforts during Alcon's IPO in 2002 and has helped in producing the annual reports since then, along with handling increased attention from the general, business and health care news media.

In 2003 Mary became Accredited in Public Relations, and last year, in recognition of her 25 years in the field, was elected to the Public Relations Society of America's College of Fellows, the highest honor given in PR. She has served as president of the local chapters of PRSA and the International Association of Business Communicators. She has also represented Alcon on the boards of the Fort Worth Better Business Bureau, Downtown Fort Worth Inc. and Fort Worth Sister Cities International.

Mary and her husband, Joe, plan to travel, see more of their grandchildren and continue to participate in community activities. She will also teach PR classes at Texas Christian University and do PR consulting work.

Please join me in wishing Mary the best as she moves into her next phase.

Doug MacHatton
Vice President, Investor Relations and
Strategic Corporate Communications

Email articles and story ideas to: around.alcon@alconlabs.com

11 Aug 2003

Black journalists hear Alcon's glaucoma message

When hundreds of the nation's black journalists gathered in Dallas last week, they encountered workshop trainers, recruiters and keynote speakers among the usual

More on FUQUAY on 6C

fixtures of an industry convention. Many also met a drug-company pitchman who turned the event into an opportunity to spread the word about glaucoma treatment.

Fort Worth-based Alcon's Rubin Spann attended the National Association of Black Journalists' convention to inform reporters about "Project Focus," the company's effort to raise awareness in urban areas about glaucoma, a disease prompted by increased pressure in the eye.

This was Spann's message: Glaucoma is the primary cause of blindness among African-Americans, who are at least six times more likely than whites to get the disease. For them, glaucoma sets in earlier, behaves more aggressively and is more difficult to treat.

About 800,000 African-Americans have glaucoma in the United States, but only half are believed to be aware of their condition. "That's a huge disparity in terms of a preventable disease that can be managed and is not being treated," said Spann, Alcon's associate product manager for glaucoma products.

Of course, Spann noted that Alcon has a treatment. And he invited journalists to attend a company-sponsored dinner to learn more about Alcon's Travatan ophthalmic solution before heading home.

"That is an issue that as African-American journalists they need to get out in the community," he said.

Brun Alcon

Co-founder of Alcon dies in Fort Worth

S-T 1-13-92

BY PEGGY A. RUDD
Fort Worth Star-Telegram

FORT WORTH — William Clarence Conner, co-founder of Alcon Laboratories, died yesterday at a Fort Worth hospital. He was 84.

Conner

Funeral will be at 3 p.m. Tuesday at University Christian Church, where he was a former chairman of the board and an elder. Entombment will be in Greenwood Mausoleum. The family will receive friends from 5 to 7:30 tonight at Harveson & Cole.

Mr. Conner was born in Hamilton County and had lived in Fort Worth since 1945. He was a 1925 graduate of San Saba High School and a 1928 graduate of Danforth College of Pharmacy. He graduated from Harvard Business School in 1956 and was a member of the Harvard Business School Club.

In 1945, he and Robert Alexander formed a Texas partnership known as Alcon Prescription Laboratory, named for the first syllables of Alex-

(More on CONNER on Page 13)

Conner

From Page 9

ander and Conner. In 1947, they incorporated as Alcon Laboratories, and a year later the two men decided to market products nationally.

In 1953, Alcon introduced plastic packaging for ophthalmic solutions, including a "droptainer" that eliminated the eyedropper and allowed medication to flow directly from the container into the eye.

Eventually, Alcon provided instruments to perform cataract and other types of eye surgery, eye drapes for surgery, a line of glaucoma products, irrigating solutions and contact lens products. In 1973, Mr. Conner established the William C. Conner Foundation at Texas Christian University, with the fund benefiting TCU and the ophthalmology department of Baylor University.

In November 1991, the National Society of Fundraising Executives gave Mr. Conner the Distinguished Philanthropist Award. In 1988, he received the Golden Deeds Awards from the Exchange Club of Fort Worth. He also received the People of Vision Award.

Mr. Conner was a philanthropist who devoted hours to the preservation of sight, and in 1983 he was made an honorary member of the Pan American Association of Ophthalmology in Peru. The glaucoma center in Houston is now known as the Conner Glaucoma Center, and in 1982, the William C. Conner Research Center at Alcon Laboratories was dedicated. In 1981, he was named Business Executive of the Year and was inducted into the Texas Wesleyan Business Hall of Fame. In 1974, he received the Royal Purple Award from the TCU Alumni Association and an honorary doctor of law degree from TCU.

on which Alcon was built. He was able to get people to follow him, and to this day, everyone admires him. He was a very special person."

Mr. Conner served as chairman of the board of Hearing Health Group of Fort Worth. He was a director of Tandy Corp., a member of the board of Capital National Bank of Fort Worth, a director of the Pan American Ophthalmological Educational Foundation, a member of the board of trustees of Huguley Memorial Hospital, a member of the American Society of the Most Venerable Order of the Hospital of St. John of Jerusalem, and a charter member of the President's Council of Texas Wesleyan College.

Mr. Conner was also a member of the Century II Club, the Fort Worth Club, the Lakewood Yacht Club, the Lighthouse Point Yacht Club, the Ocean Reef Club, the Union League Club, the Petroleum Club, the Rotary Club, the Newcomen Society, the Exchange Club and Kiwanis International.

Former TCU Chancellor James Moudy said: "In the three decades that I knew him, I was impressed by his desire to expand his mind and insist that those who worked with him do the same. In this way, he fit in perfectly with the university, and TCU feels indebted to him."

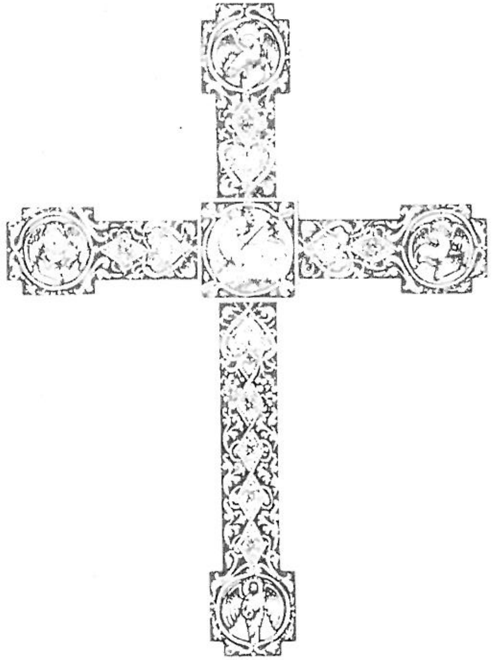
Mr. Conner was a trustee of the Texas Boys Choir, Alcon Eye Research Foundation, the United Fund of Tarrant County, the National Fund of Graduate Nursing Education and the Trinity Valley School. He was a member of the board of directors of the Fine Arts Council, the Conrad Eye Foundation, the Fort Worth Chamber of Commerce, the Fort Worth chapter of the American Red Cross and the Greater Fort Worth Community Theatre.

Survivors: Wife, Vera Connell Conner of Fort Worth; four sons, Halden Conner and David Conner, both of Fort Worth, Gregory Conner of Florida and Fritz Alan-Korth of Washington, D.C.; four daughters, Crys-

S-T 1-14-92

CONNER

WILLIAM C. CONNER, Co-Founder Alcon Laboratories, a native of Hamilton County, and a long-time Fort Worth resident, on Sunday, January 12, in his 85th year. A member of University Christian Church, he served on numerous religious, educational, professional and civic boards and foundations. Survivors: Wife, Vera Connell Conner, Fort Worth; sons, Halden Conner, Fort Worth, David Conner, Fort Worth, Gregory Conner, Ft. Lauderdale, Florida; step-son, Fritz-Alan Korth, Washington, D.C.; daughters, Crystelle Conner Rapp, Fort Worth, Ann Sheffield, Fort Worth, Debbie Conner Norris, Fort Worth; step-daughter, Nina Maria Korth Cole, Fort Worth; grandchildren, Karen Rapp Henderson, William Randall Rapp, Catherine Conner, Caroline Conner, Sloan Sheffield, Robert Norris, Laura Norris, Mary Frances Norris, Logan Conner; six step-grandchildren; four great grandchildren. Friends may call at Harveson and Cole Funeral Home, 702 Eighth Avenue, where the family will be present from 5:00 until 7:30 P.M., Monday. Services 3 p.m. Tuesday, University Christian Church. Entombment Greenwood Mausoleum. Pallbearers: R. Denny Alexander, Dr. C. Harold Beasley, Bayard H. Friedman, Edgar H. Keltner Jr., John V. Roach, II, Edgar H. Schollmaier, Stephen Seleny, Earle A. Shields, Jr. Honorary Pallbearers: Colleagues at Alcon Laboratories, Members of the Boards of University Christian Church, The Trustees of Texas Christian University, Trinity Valley School, Tandy Corp., Huguley Hospital, Pan-American Association of Opthalmology, Salvation Army and the Board and Staff of Hearing Health Institute. Should friends desire, memorials may be given to the W. C. Conner Memorial Endowment Fund University Christian Church or



In Memoriam

William C. Conner

1907 - 1992

No man is all of himself.
Those whom he loves are the rest of him.

University Christian Church

Fort Worth, Texas
January 14, 1992
3:00 p.m.

Memorial Worship

A Service of Faith and Honor

Prelude:
"Benedictus" .... Alec Rowley
"Rhosymedre" .... R. Vaughan Williams
"The Lord's My Shepherd" .... Alec Rowley
"Jesu, Joy of Man's Desiring" .... J. S. Bach
"Aria" from *Suite in D* .... J. S. Bach
Tolling of the Bell
Call to Worship .... Dr. Brice
Placing of the Pall
Processional Hymn: "Joyful, Joyful, We Adore Thee" 1
The Greeting .... from Matthew 11

Leader: Are not two sparrows sold for a penny?
People: And not one of them will fall to the ground without your Father's will.
Leader: But even the hairs of your head are all numbered.
People: Fear not, therefore; you are of more value than many sparrows.

Chorale *(Choir and Congregation)*

O Thou by whom we come to God
The Life, the Truth, the Way
The path of prayer Thyself hast trod,
Lord, teach us how to pray.

The Lord's Prayer *(use "debts")* and Choral Amen
Organ Interlude
Reading of the Scripture .... Dr. Brice
Call to Praise: Leader: O Lord, open thou our lips.
Choir: And our mouths shall show forth thy praise.
Leader: Praise ye the Lord.
Choir: The Lord's Name be praised. Amen.
Gloria Patri *(Standing with the Choir)*
Anthem: "Laudate Dominum" (from *Solemn Vespers)* .... W. A. Mozart
Chancel Choir
Lois Ulrickson, Soprano

Laudate Dominum omnes gentes: *laudate eum omnes populi.* *Quoniam confirmata est super* *nos misericordia ejus,* *et veritas Domini manet in aeternum.*	*O praise the Lord, all ye nations:* *praise Him, all ye people.* *For His mercy is confirmed upon us:* *and the truth of the Lord* *remaineth for ever.*
Gloria Patri, et Filio, *et Spiritui Sancto.* *Sicut erat in principio, et nunc,* *et semper, et in saecula saeculorum.* *Amen.*	*Glory be to the Father, and to the Son,* *and to the Holy Ghost.* *As it was in the beginning, is now,* *and ever shall be, World without end.* *Amen.*

— Text: Psalm 116 (Vulgate)

Call to Prayer
Minister: The Lord be with you
People: And with thy spirit
Minister: Let us pray
Pastoral Prayer .... Dr. Sanders
Choral Response

Tribute to Mr. Conner .... Dr. Moudy
Anthem: "Shall We Gather at the River" .... arr. Bass
Chancel Choir
Memorial Message .... Dr. Tucker
Benediction and Choral Response
Ringing of the Bells
Postlude: "For All the Saints" .... R. Vaughan Williams

In the Service

Eugene W. Brice — James M. Moudy
Charles H. Sanders — William E. Tucker

The Chancel Choir

Ronald L. Shirey, Choirmaster — Marilyn Jones, Church Hostess — Betty Boles, Organist

---

Pallbearers

R. Denny Alexander — John V. Roach II
Dr. C. Harold Beasley — Edgar H. Schollmaier
Bayard H. Friedman — Stephen Seleny
Edgar H. Keltner, Jr. — Earle A. Shields, Jr.

Honorary Pallbearers

Catherine Alexander — Helen Painter
Fred Disney — Dr. Arnall Patz
Harold Johnson — Ron Smith
Dr. Oscar Koberg — Mrs. Granville Walker
Dr. Ed Maumanee — Don Welch
Dr. Randall Nyman — Glenn Wilkins

Colleagues at Alcon Laboratories
Staff of Hearing Health Institute
and Board Members of:
Texas Christian University
University Christian Church
Trinity Valley School
Huguley Memorial Hospital
Tandy Corporation
Pan-American Association of Ophthalmology
Salvation Army
Hearing Health Institute

Interment

Mausoleum at Greenwood Cemetery

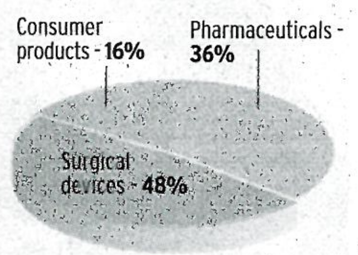
Company's vision

Alcon sees a future in development

10 Oct 2003

Alcon's sales

Alcon holds about 25 percent of the global eye-care market, led by sales of its surgical products. Sales reached almost $823 million in the most recent quarter.



SOURCE: Alcon financial filings

STAR-TELEGRAM/DEWUAN X. DAVIS

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

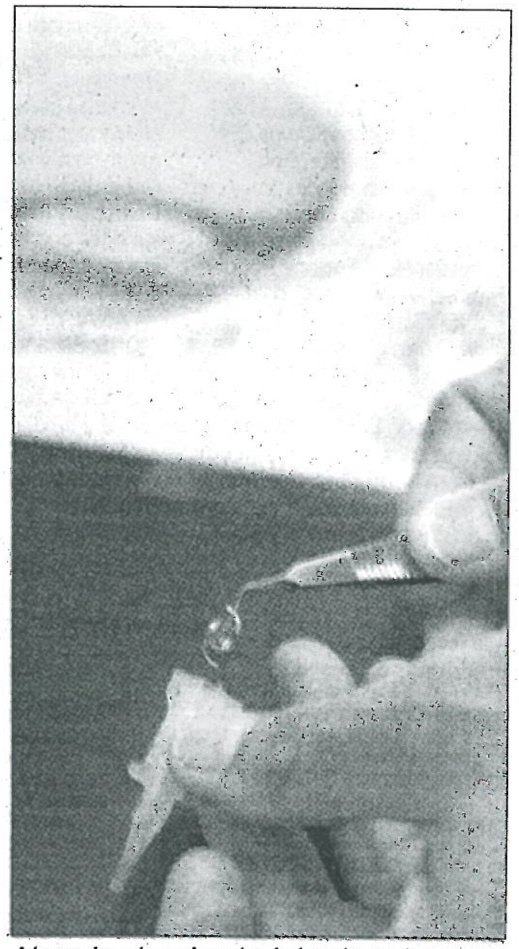
FORT WORTH — Nestled among the factories and administrative offices at Alcon Inc.'s sprawling campus are rows of laboratories, filled with researchers seeking ophthalmology's Next Big Thing in their glass beakers and petri dishes.

The scientists are experimenting with new treatments for macular degeneration, designing lenses for cataract sufferers and developing what they hope will be blockbuster drugs that may someday prevent blindness — and boost Alcon's bottom line at the same time.

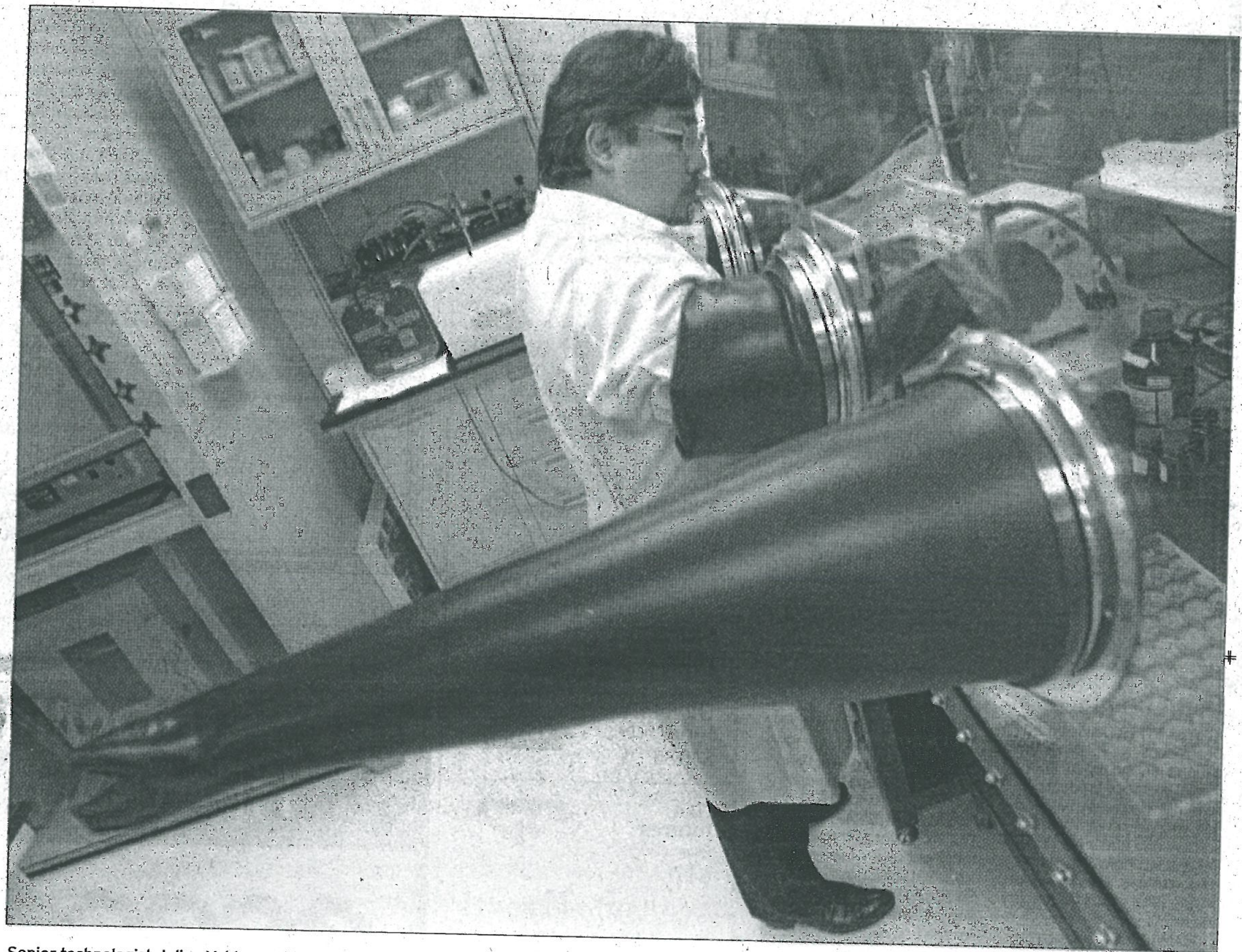
Combined, their work represents what Alcon calls "the largest eye-related research and development investment by any company in the world."

The company, which already controls more than 25 percent of the almost $12 billion global eye-care market, has spent $255 million this year on developing new products. Executives are planning to spend $2 billion over

More on ALCON on 6C



Alcon is planning to introduce two new versions of its AcrySof intraocular lenses, which are used to treat cataract sufferers.



STAR-TELEGRAM/JILL JOHNSON

Senior technologist Julian Valdez molds Alcon's intraocular lenses at the company's Fort Worth facility. Growth in sales of the lenses has helped lead to strong earnings for the company.

ALCON

Continued from 1C

five years on research and development.

By 2005, Alcon expects to launch several new surgical devices and drugs, including a treatment for age-related macular degeneration that could create a lucrative foothold in that virtually untapped market.

"Our pipeline is rich," Chief Executive Tim Sear said. "We're not short of ideas. We're not short of new markets."

The potential for new products is the core of a growth strategy for Alcon, which develops and manufactures ophthalmic surgery equipment, prescription drugs and consumer eye-care products such as contact lens cleansers.

The company — which was founded and remains based in Fort Worth, although it is now incorporated in Switzerland — has almost 12,000 employees, operations on six continents and an established stable of products. It went public in March 2002, when its parent, Swiss food giant Nestle, spun off about 25 percent of Alcon's shares.

Since then, Alcon has booked strong earnings, and global sales climbed to $822.7 million in the most recent quarter — led by strong growth of intraocular lenses and glaucoma products in the United States and pharmaceutical sales overseas. Its stock, which went public at $33 a share, closed Friday at $51.93.

The increased sales have allowed the company to bolster its research spending, now about 10 percent of sales.

That investment is bringing growth to Alcon's Fort Worth facility, where roughly 2,600 employees work.

The company is constructing a biological sciences building that will add 225,000 square feet to its research and development facilities. A third administration tower is also slated to be completed next year.

"People think of Alcon because they see OptiFree [lens solution] on the shelf, and they think that's our business," Sear said. "Well, that's part of the business."

The bulk of Alcon's revenue comes from pharmaceuticals and surgical devices. And much of the company's research aims to develop treatments for eye diseases and disorders.

Peter Bye, an SG Cowen analyst who follows medical technology companies, said Alcon is dramatically outpacing competitors in its quest for new "home-grown" products.

"There's no one really close to spending that kind of money in eye care," Bye said.

Alcon's pipeline

Alcon expects to invest $2 billion over five years in researching and developing new drugs, surgical devices and consumer eye-care products. The company now has different products in varying stages of clinical studies, and intends to launch several of them in the next few years.

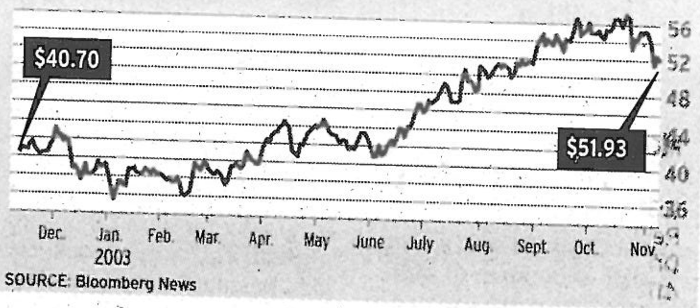
	Product	Purpose
2004	AcrySof	Toric Intraocular lens that corrects astigmatism
	Unnamed disinfectant	For contact lens care
	Viscoelastic device	Compound that protects eye tissue during surgery
2005	CiproDex Ophthalmic	Medication for eye infections
	Anecortave acetate	Treatment for age-related macular degeneration
	Patanase	Nasal spray for allergies
	Travatan/Timolol	Drug combination for glaucoma
	AcrySof ReStor	Intraocular lens aimed at eliminating eyeglasses
2006	15(S)-HETE	Treatment for dry eyes

SOURCE: Alcon Inc.

STAR-TELEGRAM

Alcon

Higher sales and profits have driven up Alcon's stock price in the past year.



SOURCE: Bloomberg News

STAR-TELEGRAM

STAR-TELEGRAM/JILL JOHNSON

Technicians Ellie Morales, left, and Sara Jo Pittman perform a dimensional verification of an intraocular lens.

two years two new versions of its AcrySof intraocular lenses, used to treat cataracts.

Surgeons now implant more than 3.5 million of Alcon's lenses each year, and the company boasts a 40-plus percent share of that global market.

Its new intraocular lenses aim to go further. One type would treat patients with astigmatism, and the other is designed to eliminate the need for reading glasses after cataract surgery.

The second lens could become an enormous moneymaker for Alcon, especially if the product appeals to patients who don't have cataracts but do have trouble seeing at close range, Bye said.

mics, which has one on the market.

■ Dry eye. Alcon plans to offer a treatment for the disease in 2006.

Rival Allergan already produces a dry-eye medication. But the market is so vast that Alcon should have ample opportunity to stake its claim, Bye said.

■ Refractive surgery. Alcon entered this sector, commonly known as LASIK surgery, in 2000. And it won government approval last year for a "wavefront" system that allows surgeons to customize treatment for an individual eye.

Refractive treatments account for only 5 percent of Alcon's surgical products, and Sear acknowledged that the ing that will add 225,000 square feet to its research and development facilities. A third administration tower is also slated to be completed next year.

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The bulk of Alcon's revenue comes from pharmaceuticals and surgical devices. And much of the company's research aims to develop treatments for eye diseases and disorders.

Peter Bye, an SG Cowen analyst who follows medical technology companies, said Alcon is dramatically outpacing competitors in its quest for new "home-grown" products.

"There's no one really close to spending that kind of money in eye care," Bye said.

Among the conditions and opportunities Alcon is exploring:

■ Cataracts. The company plans to introduce in the next two years two new versions of its AcrySof intraocular lenses, used to treat cataracts.

STAR-TELEGRAM/JILL JOHNSON

Technicians Ellie Morales, left, and Sara Jo Pittman perform a dimensional verification of an intraocular lens.

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The second lens could become an enormous moneymaker for Alcon, especially if the product appeals to patients who don't have cataracts but do have trouble seeing at close range, Bye said.

"It's really under-appreciated," he said. "It's a revolutionary step in moving cataract surgery into more of a refractive surgery."

Alcon also targeted cataract patients last spring with the introduction of its Infiniti system — a surgical instrument used to remove cataracts.

■ Glaucoma. Alcon has launched its primary glaucoma treatment, Travatan, in more than 50 countries since its introduction in 2001. It's now working on another drug combination that includes Travatan for release in 2005.

■ Age-related macular degeneration. The company intends to offer a drug in 2005 that would treat the most severe form of this condition.

So-called "back of the eye" diseases, such as macular degeneration, are the leading cause of blindness in the industrialized world. But there are almost no treatments available, creating tantalizing prospects for Alcon and its rivals.

If Alcon's drug performs as expected, Bye predicts sales of $200 million by 2007.

"We view that opportunity in the back of the eye as minimum $1 billion [market]," Bye said.

Of course, Alcon is not the only company working in that area.

Competitors include Pfizer, which is developing a treatment, and Novartis Ophthalmics, which has one on the market.

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Refractive treatments account for only 5 percent of Alcon's surgical products, and Sear acknowledged that the weak economy has dampened demand for the service.

"It's a pretty flat market, frankly," Sear said. "It's quite competitive."

Bye said Alcon's refractive business has been its only disappointment.

"They had a great chance to have a head start on competition. They got approval about six months before anybody else did," Bye said. "They kind of lost their lead."

■ Beyond the eye. Although Alcon dedicates roughly 98 percent of its business to ophthalmic products, the company did introduce CiproDex Otic this summer to treat ear infections. And, in 2005, it's planning to offer Patanase, a nasal spray for allergies.

Alcon generally has escaped pressure from large drug companies, which deem the ophthalmology segment too paltry to warrant their attention. But macular degeneration and glaucoma are so ripe for new treatments that they have piqued the interest of big pharmaceutical companies, Sear said.

Alcon can contend with the threat, however, because the company produces its profits from brisk sales of a broad range of products, Sear said.

"We're protected, really," he said. "We are not dependent on this one drug that does a billion and a half a year [in sales] and is going off patent."

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Alcon

Court decision in patent case favors Alcon

26 Sept 2002

STAR-TELEGRAM

A federal court in Boston found Wednesday that Nidek Co. and its subsidiaries infringed on a patent held by Alcon Laboratories and ordered the Japanese company to pay the Fort Worth-based company $14.8 million in lost profits and $2.4 million in royalties.

The court also found that Alcon was entitled to a 5 percent royalty on Nidek sales made after January 2001. Summit Technologies filed the lawsuit in 1998 before being acquired by Alcon.

"We are delighted with the outcome of this trial," said Tim Sear, chairman, president and CEO of Alcon. "These patents were key to the value of Summit, which we acquired in 2000, and this victory strengthens our position in the laser industry."

The suit alleged that a Nidek surgical laser infringed on two of Summit's patents and asked for damages and an injunction against future sales of the equipment.

A Nidek spokesman told the Dow Jones news wire that the company is disappointed by the ruling but remains confident that it doesn't infringe on Summit's patents. He added that the firm is seeking a legal review of the decision to determine its next course of action.

Business
Alcon

David Ledrick Merrill

ARLINGTON — David L. Merrill passed away Tuesday, Dec. 27, 2005, in Arlington, where he lived since early 1968. He passed away due to heart problems he had suffered over the last few years.

Funeral: 11 a.m. Friday in D/FW National Cemetery. Visitation: 6 to 8 p.m. Thursday at the funeral home.

David was born Aug. 6, 1922, in Pampa. He attended school in Henrietta, graduating in the top of his class in 1940. He then entered TCU, where he stayed until the Pearl Harbor attack, and enlisted in the U.S. Navy in January 1942. He served on the cruiser Philadelphia as a radioman, made a convoy to Murmansk, Russia, and also participated in the invasion of North Africa in October of the same year. He then was assigned to the destroyer USS Turner, which was torpedoed and sank on Jan. 3, 1944. He spent the last two years of the war in the Pacific, serving on the staff and as a communications liaison for Admiral Chester Nimitz. In the Pacific he participated in the recapture of the Philippines, Iwo Jima and Okinawa.

He married Alma Terry Merrill, a native of Pennsylvania, whom he met in January of 1944 as she served as a registered nurse in New York. They were married Dec. 29 of the same year in the Little Church Around the Corner.

Following the war, he returned to Texas Christian University and was also an alumnus of North Texas State College and Harvard University.

David was a member of the American Chemical Society and was the first chemist hired by Alcon, rising to the position of vice president and director of laboratories. He was active in many organizations, such as the Boy Scouts of America, where he served as a volunteer and received the 35-year service award.

David was preceded in death by his parents and a brother.

Survivors: His wife, Alma Terry Merrill; children, Roy Merrill of Littleton, Colo., Paula Goodwin of Danbury, Conn., and David W. Merrill of McKinney; grandchildren, Terry Merrill of Los Angeles, Calif., Tommy Goodwin, David M. Merrill, Jenny Bolding and Lesley Goodwin of Arlington; and his five precious great-grandchildren, David, Mathew, Lauren, Jordan and Bradley.

Moore Funeral Home-N. Davis Drive
Arlington, (817) 275-2711
View and sign guestbook at
www.star-telegram.com/obituaries

24 Dec
2005

FWS-T

Bus.
Alcon

Dedication for Education
May 25

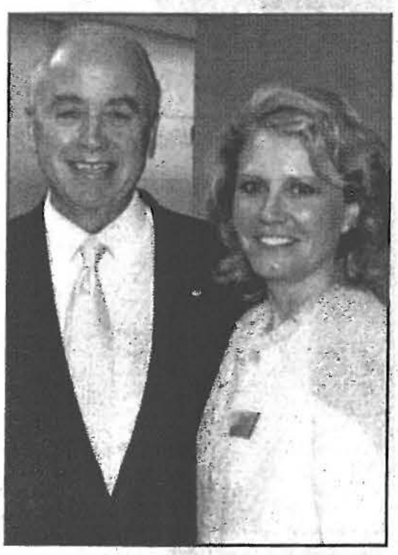
Alcon Laboratories held a dedication ceremony for its Tim Sear Training & Education Center.

PHOTOS BY JON P. UZZEL

Rob Behee

Darren Woods, Suzy Williams, Cleve Lancaster and Harry Bartel

Buzz Brightbill and Judith Sear



Tim Sear and Jacqualyn Fouse

FUNDING

17 June 2005

Donors restore news service for the blind

Upset about losing an automated system that reads daily newspapers to the blind, some Texans solicited donations to restore the national service.

By MARTHA DELLER
STAR-TELEGRAM STAFF WRITER

For seven years, since glaucoma left her virtually blind, Debra Emerson has had the *Star-Telegram* and several other newspapers read to her daily via NFB-Newsline, an automated system accessed through her telephone.

To Emerson's dismay, service to about 1,500 blind Texans was cut off last week when the National Federation of the Blind's state affiliate couldn't pay the $40,000 annual cost.

But the Texas service was restored Wednesday afternoon, thanks to donations from Alcon in Fort Worth and a Houston woman who wishes to remain anonymous.

"I'm so ecstatic, I can't stand myself," Emerson said. "I want to personally

More on NEWS on 6B

STAR-TELEGRAM/JILL JOHNSON

Debra Emerson is happy that a service that reads newspapers to the blind is back.

17 June

News: Stopgap funding keeping system going

CONTINUED FROM 1B

thank the people of Alcon for turning on this beam of light for us. Now I've got to go catch up on six days of news."

Officials of the national federation credit the efforts of Texas Newsline users like Emerson for rounding up donations after the group's attempt to secure more permanent funding died in the Legislature.

Tommy Craig, president of the federation's Texas affiliate, said the state Newsline fees had been funded for 10 years through state, federal and private grants.

Craig said two legislators sponsored bills in Austin this year to tap the universal service fund paid by telephone customers to give the Texas affiliate a permanent funding source to pay its Newsline fees.

He also had hoped the $150,000 the bill would have provided would allow the state group to notify more of the 75,000 Texans believed to be eligible for the free Newsline service.

When that proposal was stripped from a larger bill in the last day of the legislative session, however, Craig said, his group couldn't come up with other funding before the service was cut off.

That's when Emerson stepped in. Upset about the abrupt loss of the service, she contacted federation officials who suggested she solicit donations.

An Alcon official Emerson contacted came through.

"We're focused on preserving and restoring vision before people lose sight," said Alcon spokeswoman Carol Massey. "But if we can open the world to people without vision by providing newspapers to them, we felt that's an important service and that we could provide support for it."

John Paré, the national federation's technology outreach director, said he's pleased that the Texans found a "white knight."

"It's rare we ever get down to where nobody comes through and it's shut off," Paré said. "Texans are very concerned for other people. I thought if the word got out, they would come forward to help.

"This was a very grassroots effort."

The next step, Craig says, is to solicit donations for a second year until more permanent funding can be sought in the next Legislature.

"We're grateful for this stopgap funding, but we need a more permanent solution so we don't have to go through this every year," he said.

ONLINE: www.nfb.org

IN THE KNOW

How it works

- With the National Federation of the Blind Newsline, blind people can have a computerized voice read newspapers to them by punching in selections on a touch-tone telephone.
- The Newsline service provides 180 newspapers – including the *Star-Telegram, Houston Chronicle* and *The New York Times* – to more than 50,000 users in 37 states and the District of Columbia.

"We're grateful for this stopgap funding, but we need a more permanent solution so we don't have to go through this every year."

— Tommy Craig, president of the National Federation of the Blind's Texas affiliate

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Discounted
Alcon

19 Jan
2003

STAR-TELEGRAM/SHARON M. STEINMAN

Jackie Fouse, Alcon's chief financial officer, has the drive and know-how to lead a company. She is one of only 35 women who are top finance officers of Fortune 500 companies.

Drive to excel

Alcon's CFO a dynamic blend of intellect and energy

Mitchell Schnurman
COMMENTARY

With some executives, you wonder how they ever got the job.

Not with Jackie Fouse, who, at the age of 41, is already the chief financial officer of Alcon Labs in Fort Worth.

The title alone puts her in an elite group; only 35 women are top finance officers of Fortune 500 companies, and before Alcon, Fouse was also CFO at Swissair.

Her rapid run-up in the business world was foreshadowed years ago. And her evolution as a leader makes her a virtual lock to someday run a company.

Or maybe part of the world.

"If you don't set any limits, there won't be any," said Fouse, who was born at Harris Methodist Fort Worth hospital and grew up in Duncanville.

When Fouse was 10, she was gathering pecans on her grandma's lawn and hawking them to neighbors. By 21, she had an economics degree, was teaching college classes, fact-checking textbooks and pursuing a master's — while working full-time in the finance department of LTV.

More on SCHNURMAN on 8F

SCHNURMAN

Continued from 1F

At 32, Fouse moved to Europe and traveled the world as a rising executive at Nestle. She's fluent in French, speaks and reads German, and knows Spanish and Italian.

Her mother is a mathematician; her father, a mechanical engineer; her sister, a classical pianist.

Fouse herself studied piano, trumpet and violin, and had the chance to major in economics at the University of Chicago.

Instead, she chose to stay home and attend the University of Texas at Arlington, the kind of career twist that makes Fouse even more interesting today.

"Life presents lots of opportunities, if you just pay attention."

– Jacqualyn Fouse

She's also single, lives in a loft in downtown Fort Worth and drives a green Jaguar convertible.

Her full first name is Jacqualyn, a unique spelling that her mom created. Fouse's parents are staunch Republicans and didn't want anyone thinking their daughter was named after the famous first lady.

She has strong Alcon roots, having joined the company in her 20s as a financial analyst. But it wasn't a given that she'd return last summer, even to become the highest-ranking woman in the organization.

At Swissair, Fouse took on a grueling assignment, trying to help the airline stave off a collapse. But soon after the Sept. 11, 2001, terrorist attacks, Swissair filed for the European version of bankruptcy and her work turned into a reclamation project.

She huddled with a president, collaborated with industrialists, and negotiated with labor leaders and investment bankers, always under trying circumstances.

Going to Swissair was a big risk. She left a plum post at Nestle for a tough turnaround that failed. But the range of experience made her a hot property and led to a slew of job offers.

Then, last spring, Alcon Chairman Tim Sear met her for dinner in Switzerland, and afterward, she decided to return home.

What clinched the deal?

"It just felt right," she said. "I guess I manage by intuition."

Then Fouse flashed a mischievous grin: "Maybe all the math and music lessons and foreign language are just part of a hoax."

Don't believe it. Fouse is a refreshing reminder that the best executives are actually different from the rest of us.

She has real talent, unreal drive and the confidence to trust a gut feeling.

She wasn't mature enough to leave the area for college, she said, but several years later, was willing to leave Alcon and Texas for a job at Nestle, then Alcon's corporate parent in Switzerland.

STAR-TELEGRAM/SHARON M. STEINMAN

Jacqualyn Fouse returned to Alcon last spring after working in top positions at Nestle and Swissair.

"Sometimes, you just have to get out of your comfort zone," she said.

At Nestle, her top assignment was managing the relationship with Alcon, but she eventually became a group treasurer.

A few years ago, the head of the Nestle unit in Turkey called her in a panic. A financial crisis had erupted in the country, and the operation needed U.S. dollars immediately.

Fouse hung up the phone and authorized a $10 million wire transfer to Istanbul.

"I wasn't waiting to ask anyone," she said. "I had to do something."

After the money was on its way, she went to company officials and got their approval.

She later learned that the quick response not only shored up the Nestle unit, but prompted other international companies to back their operations, too.

It was a gutsy move, nothing halfway about it. And it was the right one, just like Fouse going to Europe a decade ago.

"When you can deal with people on their terms and in their own language, it makes all the difference."

– Jacqualyn Fouse

"I get bored easily, so I'm always moving on to the next thing," she said.

From the first day, she immersed herself in French — speaking it, writing it, even dreaming in it. That let her pick up the nuances at Nestle headquarters, and her fluid French with a Texas twang became a hit.

"When you can deal with people on their terms and in their own language, it makes all the difference," she said.

She still had to prove herself, as a young woman in a male-dominated world. When she was trying to sell a retail travel unit at Swissair, she negotiated with a pair of older Italian men who thought they had a pushover.

"Frankly, they were pretty amused when I walked into the room," she said.

One man tried to intimidate her; the other tried to charm her. And several times over the next few months, Fouse had to cut off the talks and leave.

"I never throw a fit," she said. "I just told them in English and Italian that I wasn't going to sell at that price."

She eventually closed the deal, and the Italians sent a note saying she had earned their respect.

Fouse expects to be a chief executive some day, and acknowledges that she's had some offers. She is one of five senior vice presidents at Alcon, and Sear, chairman and CEO, is 65. The company hasn't designated a successor.

Fouse is a far cry from the usual button-down executives who have led Alcon in the past. She likes to buy her tailored outfits in London and Switzerland, and her spacious office is decorated with sculpture and art.

Most striking, she's not afraid to say what's on her mind, even if it's personally revealing.

She acknowledged, for example, that some people believe that her high-powered job is the reason she has never married and had children.

"And I don't think that theory is all wrong, either," she said.

She realizes the trade-off and occasionally frets that she may be missing out. But she doesn't dwell on the subject, and said she savors what the work world has brought.

"Life presents lots of opportunities, if you just pay attention," she said.

Fouse has been doing that forever.

Mitchell Schnurman's column appears Wednesdays and Sundays. (817) 390-7821
schnurman@star-telegram.com

EYE-CARE COMPANY

Drugmaker buys share of Alcon for $11 billion

Rebecca Meredith tests raw materials Monday at Alcon headquarters in Fort Worth. STAR-TELEGRAM/AMY PETERSON

Alcon executives say the company's potential majority shareholder makes a complementary slate of products.

By MARIA M. PEROTIN
mperotin@star-telegram.com

Fort Worth-based Alcon Laboratories is getting a second Swiss parent.

Drugmaker Novartis AG will pay the Nestle food company $11 billion for a 25 percent share of Alcon and gain an option to acquire Nestle's remaining 52 percent share by 2011 for up to $28 billion, both companies announced Monday.

Alcon Chief Executive Cary Rayment said that the investment reflects his company's accomplishments as a leader in ophthalmology.

What do you think?
Post a comment about this report at **star-telegram.com**

"Clearly, from an Alcon standpoint, Nestle's been a great owner and shareholder, and has supported our growth over the years," Rayment said. "Now, we're moving to a phase where we would have, certainly, the support of a leading global pharmaceutical company."

Alcon — one of Fort Worth's top employers, with roughly 3,300 workers on the city's south side — makes drugs, surgical equipment and consumer products.

The company was founded in Fort Worth and remains based here, with more than 14,000 employees in 75 countries. It went public in March 2002, when Swiss-based Nestle spun off about 23 percent of Alcon's shares.

"We think it's a superb opportunity to acquire a majority in the world's largest eye-care company, which has really shown a great performance in the recent years," said Dr. Daniel Vasella, Novartis' chief executive.

Vasella said Novartis intends to complete

More on PURCHASE on 6C

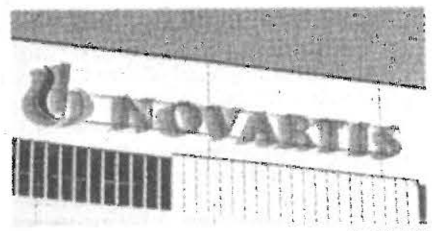
About Alcon

8 April 2008

STAR-TELEGRAM ARCHIVES/JILL JOHNSON

Headquarters: Incorporated in Switzerland, with headquarters at 6201 South Freeway, Fort Worth.
Stock: Trades on the New York Stock Exchange as **ACL**.
History: Founded in 1945 as a small Fort Worth pharmacy. Acquired by Nestle in 1978 and partially spun off in 2002.
Leadership: Chief Executive Cary Rayment, who took the helm in 2004.
Work force: More than 14,000 employees in 75 countries, including about 3,300 workers in Fort Worth.
Business areas: Eye-surgery equipment, prescription eye-care drugs and consumer products.
Key products: Infiniti system used by cataract surgeons; AcrySof line of artificial lenses; Travatan glaucoma treatment; Pataday and Patanol, for eye allergies; Vigamox antibiotic solution; Opti-Free contact-lens solution; Systane lubricant eyedrops
2007 global sales: $5.6 billion **2007 profit:** $1.6 billion
Online: www.alcon.com

About Novartis



AP ARCHIVES

Headquarters: Basel, Switzerland
Stock: Trades as **NVS** on the New York Stock Exchange
Business divisions: Pharmaceuticals, vaccines, generic drugs, consumer health products
History: Created in 1996 when Ciba-Geigy and Sandoz merged
Major U.S. facilities: Research and development site in New Jersey; production site in New York
Key drugs: Diovan, for high blood pressure; cancer treatment Glivec; Trileptal, for epilepsy; Lamisil fungus treatment; Foradil asthma treatment; Voltaren, for inflammation; Sandimmun Neoral, used in organ transplants
Eye-care business: Has overseas rights to distribute Lucentis, a drug for age-related macular degeneration; its Ciba Vision unit is a prominent maker of contact lenses and some lens-care products.
Workforce: 98,200 employees **2007 sales:** $38.1 billion **2007 profit:** $12 billion
Online: www.novartis.com

Purchase: No job cuts expected to result from deal

8 April 2008

CONTINUED FROM 1C

both steps of the acquisition. In fact, the company would have preferred to buy Nestle's entire stake immediately but deferred to the food company's preference for a phased approach.

Nestle's move had been anticipated lately, in part because Alcon wasn't a core holding of the food company, Rayment said.

"This is just a continuation, when you think about it, from the [initial public offering] that we did," he said.

Executives at Nestle, which owns such brands as Nescafe, Perrier and Dreyer's, have been spinning off the company's nonfood businesses in recent years while expanding its footprint in the areas of nutrition, health and wellness. For example, the company has bought weight-management firm Jenny Craig, as well as former Novartis divisions that produce Gerber baby foods and Boost nutritional drinks.

"These three deals are not connected, but they show that companies concentrate on what their real field of competence is," Nestle spokesman Francois-Xavier Perroud said. "In our case, it's clearly food and nutrition. And in Novartis' case, it's pharmaceuticals."

What it means

At Alcon, Novartis' investment isn't expected to prompt job cuts.

"I don't suspect it will have any measurable impact on the human resources of Alcon, especially since they are active in areas in which Novartis quite obviously isn't," Perroud said.

The deal would add two members to Alcon's board of directors, one selected by Nestle and the other by Novartis.

"It's pretty much business as usual, in that Alcon remains a publicly traded company," Rayment said. "Our strategy, our structure, our operations remain the same."

It's less clear what happens to Alcon if Novartis follows through on becoming its majority stakeholder after 2010.

"It's a little early to tell at this point in time," Rayment said. "Clearly, Alcon's management and Novartis management will work together, looking at the opportunities, and make the appropriate decisions at that time."

What's in it for Novartis

Vasella told industry analysts Monday that Alcon would be consolidated fully into Novartis if the second batch of shares is bought.

That could entail a purchase of the remaining 23 percent of shares from minority owners, he said. Or it could involve a different kind of transaction, such as integrating Novartis' contact-lens unit into Alcon's operations.

"Everything is theoretical," Vasella said. "Right now, these are separate businesses. And we are just a minority shareholder."

Novartis' purchase, the biggest in healthcare this year, comes on top of the $13 billion it spent on generic-drug makers Hexal AG and Eon Labs Inc. in 2005 and the $5.7 billion acquisition of vaccine maker Chiron Corp. in 2006.

Novartis is slashing 2,500 jobs in the next two years after a diabetes treatment was delayed, an irritable-bowel treatment was withdrawn, and a painkiller failed to win approval. Fourth-quarter profit fell 45 percent while revenue rose at the slowest pace in five quarters.

Vasella said Novartis sees big opportunities in the ophthalmology market. And the company was drawn by Alcon's tradition of successful research and development and by the strength of its international sales force.

Looking ahead

Novartis and Alcon should have complementary businesses with little overlap, Vasella said.

Novartis' Ciba Vision unit is one of the largest sellers of contact lenses, with some sales of contact-lens solutions. Meanwhile, Alcon — the dominant maker of lens solutions — doesn't sell contact lenses.

Novartis also has the overseas rights to distribute Lucentis, a drug for age-related macular degeneration. The medicine, created by Genentech, has become the prevalent treatment for that blindness-causing disease.

Alcon had hoped to develop its own breakthrough treatment for macular degeneration but gave up after a 2004 clinical trial produced disappointing results.

Alcon also has a foothold in emerging international markets that appeals to Novartis, Vasella said.

"We believe that this makes eminent strategic sense," he said. "It's a unique opportunity. It's a great company."

After the deal was announced, Alcon's shares (ticker: **ACL**) closed Monday at $150.63, up $2.19.

This articles includes material from The Associated Press and Bloomberg News.

MARIA M. PEROTIN, 817-390-7339

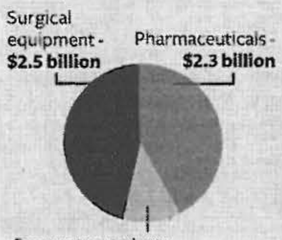
Alcon share prices

Source: Bloomberg News

STAR-TELEGRAM

Alcon's key businesses

Alcon's 2007 sales were divided among its three core areas.

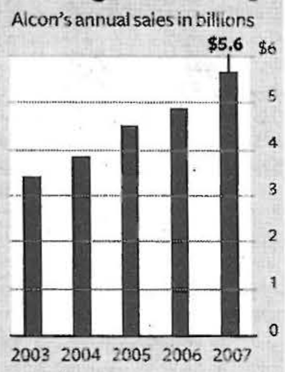


Source: Alcon Inc.

STAR-TELEGRAM

Sales grow briskly

Alcon's annual sales in billions



Source: Alcon Inc.

STAR-TELEGRAM

Alcon timeline

1945 Alcon Laboratories is founded in Fort Worth with the opening of a small pharmacy. Pharmacists Robert Alexander and William Conner combine the first syllables of their last names to create the company's name.

1978 Food giant Nestle acquires Alcon.

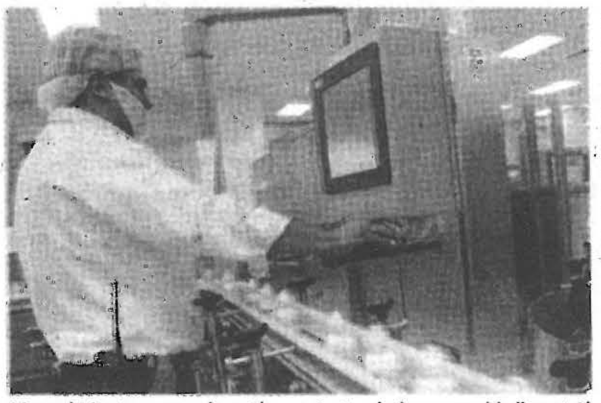
2002 Nestle spins off 23 percent of Alcon in an initial public offering. Shares start trading at $33.

2004 Cary Rayment promoted to lead the company, becoming Alcon's fourth chief executive.

2007 Alcon buys WaveLight AG, a German maker of LASIK surgery equipment.

January 2008 *Fortune* magazine ranks Alcon among the "100 Best Companies to Work For" for the 10th straight year.

April 2008 Nestle reaches a deal to sell at least part of its stake to Novartis, the Swiss pharmaceutical company.



Manuel Montanez monitors the contact-solution assembly line at Alcon in Fort Worth on Monday. STAR-TELEGRAM/AMY PETERSON

24 April 2008

Business
Alcon

Q&A | NOVARTIS CEO

Drugmaker to keep its options open on Alcon

The chief executive of the Swiss drug company says the Fort Worth firm is a good fit.

By MARIA M. PEROTIN
mperotin@star-telegram.com

Swiss drug company Novartis may buy Fort Worth-based Alcon entirely or opt instead to sell its contact-lens unit to the eye-care business, Novartis' chief executive said Wednesday.


Vasella

The pharmaceutical company, which announced plans earlier this month to buy a portion of Alcon, is open to selling its Ciba Vision division eventually, said Dr. Daniel Vasella, Novartis' chief executive. But executives don't have concrete plans yet for how best to collaborate with Alcon's leaders.

Under the terms of Novartis' deal, it intends to buy 25 percent of Alcon's shares from food giant Nestlé this year for $11 billion. By 2011, the company expects to acquire Nestlé's remaining 52 percent stake, becoming Alcon's majority owner.

Alcon — one of Fort Worth's top employers, with roughly 3,200 workers on the city's south side — makes drugs, surgical equipment and consumer products.

Vasella spoke to the *Star-Telegram* by telephone on Wednesday about the acquisition.

What makes Alcon an attractive acquisition for Novartis?
There are several aspects. First of all, it's a field we know. But it's not a field where we are really in a leading position, while Alcon is a leader in its field. It's a fairly large market with about $25 billion, growing faster than the pharmaceutical market.... The fit is outstanding because we are active in fields Alcon is not. Namely, we're the No. 2 contact-lens producer. Alcon is not active in contact lenses. And then, we are leading with the treatment for a disease ... called macular degeneration. It's the most frequent reason for blindness of seniors.

What potential changes to do you anticipate at Alcon after the second step of the acquisition is completed?
From a point of view of governance, while we would have control in a similar way Nestlé has it today, for the collaboration, we still need to have agreements and to treat this at arm's length. Now, obviously, one would get into preferential agreements. To totally collaborate and fold our business into their business, for example, we would have to either own 100 percent or then, [or] Alcon would have to buy our business, which is also a possibility. For example, if Alcon could make an offer for Ciba Vision, that would be absolutely a possibility.

After Novartis acquires Nestlé's full stake in Alcon, what's the likelihood that your company would go further to buy the remaining 23 percent of Alcon shares?
That's totally open. My view is if

More on ALCON on 6C

EARNINGS

1st-quarter profit up 24 percent at Alcon; 3 areas of business aid gains

The Fort Worth-based firm's contact-lens disinfectant is selling well.

By MARIA M. PEROTIN
mperotin@star-telegram.com

FORT WORTH — Alcon's profit climbed 24 percent to $429.4 million in the year's first quarter, as the Fort Worth-based ophthalmology company posted double-digit sales gains across its three main areas of business.

Rising sales: Sales increased 16 percent to $1.5 billion, with much of the growth coming overseas. Sales of surgical equipment saw the most improvement, rising 20 percent to $697.9 million. Pharmaceutical sales increased 13 percent, while consumer-product sales rose 12 percent.

The highlights: Sales of implantable lenses that are used to replace cataract sufferers' clouded, natural lenses rose almost 24 percent. That was due largely to improved sales of Alcon's latest generation of high-tech lenses.

Alcon's contact-lens disinfectants also continued to sell well, mainly because its Opti-Free multipurpose solutions hung onto gains made when a rival's product was pulled off the shelves last year.

"Our strong results for the first quarter came from continuing market share gains for our major pharmaceutical brands, our strong performance in Japan with several new pharmaceutical products, rapid growth in sales of our advanced technology intraocular lenses and the continuing contributions of our international operations, especially those in emerging markets," Chief Executive Cary Rayment said in a written statement Wednesday.

Alcon's quarterly earnings amounted to $1.43 per share.

Looking ahead: The company boosted its 2008 sales projections to $6.4 billion to $6.5 billion.

The results were released after the financial markets had closed. Alcon shares (ticker: ACL) closed Wednesday at $153.37, up $1.81.

MARIA M. PEROTIN, 817-390-7339

Alcon: Novartis CEO says Fort Worth firm should continue on growth path

CONTINUED FROM 1C

a company has done as well as Alcon has done, you don't change too much. You don't want to make changes which afterward deteriorate the team or the results. I think the most important factor is growth. And so, Alcon needs to be able to continue on the growth path on which they were. And in the extent we can help them to achieve that, we will — be it through research projects, or licensing projects, or whatever. But otherwise, I would say we have no concrete plans to do anything beyond that. And I think we'll see in 2010 or 2011, you know, how things go, what we both think is best, and in the best interest of the patients, and in the best interest of the employees, and the community, and of course the shareholders.

Novartis and the pharmaceutical industry in general are facing strong pressure from generic drugmakers and from governments and other payers. In that environment, how important is the Alcon purchase to Novartis' strategy?
It does do two things. First of all, it gives us an additional growth platform. And secondly, it diversifies risk.

How do the cultures of the two companies match up?
I think it's very good. The other question is you know: Is one innovation- and growth-focused? Or is one, for example, just cost-focused? And we're both innovation- and growth-focused.

In an operation which has a large portion not just internationally but also in Texas, I think the question comes in: This company, Novartis, how well do they understand or don't they understand also our local cultures? Obviously, we are present in the U.S. in every state. And the largest contingent of our associates are in the U.S. And our research headquarters is in the U.S. So we feel we are part of the fabric. So that is certainly not an issue.

Otherwise, I would say Alcon should keep its culture, with its success. They did so well. Why would anyone want to go and change the culture?

MARIA M. PEROTIN, 817-390-7339

Bu... a...

JOBS

Foreign companies added jobs in U.S., study finds

■ Texas ranks third in "insourced" jobs – Americans employed by foreign-based corporations.

By BARRY SHLACHTER
STAR-TELEGRAM STAFF WRITER

Foreign-based corporations more than doubled the number of people they employ in the United States from 1987 to 2002, according to a report released Tuesday.

The study, conducted by Dartmouth economist Matthew J. Slaughter, added to the debate over offshoring, which has focused largely on the movement of U.S. jobs to India and other Asian countries. It was commissioned by the Organization for International Investment, a foreign multinationals trade group.

Using U.S. government statistics, Slaughter found that foreign-based multinationals employed 5.4 million U.S. workers in 2002, up from 2.6 million in 1987. On average, these jobs paid $56,667.

Significantly, Texas ranked third in so-called "insourced" jobs with 351,400, trailing California's 616,400 and New York's 394,700.

Foreign companies employing Texans include Alcon (owned by Nestle), Ericsson, Honda, NEC America, Nokia, Nortel Networks, Reed Elsevier, Saint-Gobain, Samsung, SAP America, Siemens, T-Mobile USA and Toyota Motor.

And not all call-center work has gone to Bangalore, India.

Reflecting just how complicated globalization can be, French-owned Merkafon Teleperformance came to Texas looking for bilingual speakers and found them in the Valley. Its Edinburg call center will create 500 jobs in the next three years, the organization said in a news release.

Although labor is cheaper in Asia, one North Asian company is increasing its Texas work force.

A subsidiary of South Korea's Samsung is adding 300 jobs to its Austin semiconductor plant, now employing 930, the group said. The new jobs will pay an average annual wage of $53,000.

Although some U.S. jobs are moving offshore, that move alone does not reflect the entire jobs picture, Slaughter said.

In an earlier study, also citing Commerce Department data, Slaughter said he found that U.S. corporations added 2.9 million foreign employees between 1991 and 2001.

"But did these companies drop 2.9 million American workers? No, they actually *added* 5.5 million," he said.

Business
Alcon

completed in 2007.

CORPORATE

Former Pan Am CEO elected to Alcon board

HUNENBERG, Switzerland — The shareholders of Alcon on Tuesday elected Thomas G. Plaskett to the company's board of directors at the company's shareholders meeting in Zug, Switzerland. He was chairman, president and CEO of Pan Am Corp. from 1988 to 1991 and president and CEO of Continental Airlines 1986-87. He has significant senior-level experience in finance and marketing.

21 May 2003
FWS-T

Burner
Alcon
Tim Sear honored


Judith Sear and Tim Sear


Bill Tucker, Louise Appleman, Jean Tucker and Gordon Appleman


Denny Alexander, Carol Alexander and Jim Cash


David Bass, Janet Rayment and Cary Rayment

Mary Rogers has the day off.
Her column will resume when she returns.

Prevent Blindness honors 'Person of Vision' at gala

The Prevent Blindness Texas "Person of Vision" Gala honoring retiring Alcon chairman Tim Sear was held at the Renaissance Worthington Hotel. Proceeds from the event benefited free sight-saving programs of Prevent Blindness Texas. The event chairman was Denny Alexander.

PHOTOS BY SHARON CORCORAN

FW Star Telegram

Busi...
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WORKPLACE

STAR-TELEGRAM

Alcon Laboratories won praise from *Fortune* magazine for the amenities at its headquarters in Fort Worth.

FORTUNE'S 10 BEST EMPLOYERS

Wegmans Food Markets topped *Fortune* magazine's list of the 100 best companies to work for. Wegmans, a grocer based in Rochester, N.Y., was No. 9 last year. Its motto is "employees first, customers second."

The top 10:

1. Wegmans Food Markets, Rochester, N.Y.
2. W.L. Gore & Associates, Newark, Del.
3. Republic Bancorp, Owosso, Mich.
4. Genentech, South San Francisco, Calif.
5. Xilinx, San Jose, Calif.
6. J.M. Smucker Co., Orrville, Ohio
7. S.C. Johnson & Son, Racine, Wis.
8. Griffin Hospital, Derby, Conn.
9. Alston & Bird, Atlanta
10. Vision Service Plan, Rancho Cordova, Calif.

+**Alcon Laboratories, at No. 42,** was the only Fort Worth-based company to make the list. *Fortune* praised the koi ponds and running trails at its corporate campus.

Other companies with North Texas connections on the list: **The Container Store**, **David Weekley Homes**, **TDIndustries**, **Whole Foods Market** and **Texas Instruments**.

11 Jan 2005

Foundation honors Alcon for cornea work

Before doctors used **Alcon Labs' LADARVision 4000** system to improve patients' eyesight, astronauts relied on the technology to dock spacecraft in outer space. Similar technology, anyway.

That's why the **Space Foundation** has inducted Fort Worth-based Alcon's equipment into its **Hall of Fame,** which recognizes commercial applications of space technology.

The equipment joins almost 50 other products that have been selected since 1988.

They include liquid-cooled garments developed to protect Apollo astronauts on the moon from the high temperatures of the unfiltered sun. The garments have since been worn by race car drivers, firefighters who handle hazardous materials, and employees at nuclear reactors.

Black and Decker made the list, too, for its role in devising a power drill capable of digging into the moon's soil. The company later built on the technology to create its lines of cordless tools.

Alcon's LADARVision system, which is used in LASIK procedures, employs a laser and eye-tracking device to reshape the cornea. The technology was developed to help NASA spacecraft dock with satellites during service calls.

25 Oct 2004

Got a tip? CONTACT:

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Fouse eyes numbers for Alcon

Dec 19-25. 2005

BY ROBERT FRANCIS
Fort Worth Business Press

When Jacqualyn Fouse went to see her parents recently, her mother showed her a piece of paper from her youth containing her hopes for the future. Topping the list were working for a large company and living in a country where they spoke French.

"I didn't remember writing it, but obviously I was already thinking about what I wanted to do with my life," said Fouse, senior vice president and chief financial officer at Alcon.

Fouse, 44, has already accomplished her youthful goals by working for a variety of large companies and by living in the multilingual Switzerland, where she worked for both Nestle and Swissair.

Fouse was recently named the Financial Executive of the Year by Robert Half International and the Institute of Management Accountants (IMA). She was presented with the award Dec. 12 at a dinner at the Petroleum Club.

The award was established in 1995 to recognize exceptional accomplishments of financial executives throughout the country. Fouse was chosen from among 202 nominees and 21 regional winners this year by the IMA, an organization that represents 70,000 profes-

see FOUSE on page 18

Dec 19-25 2005

Alcon Fouse CFO

FOUSE from page 1


PHOTO BY DAVID "SMILEY" IRVIN

sionals who design and implement internal accounting systems for businesses. Robert Half International is a staffing firm for accounting and finance professionals with more than 330 offices around the world.

Born in Fort Worth, Fouse was raised in Dallas and graduated with bachelor's and master's degrees from the University of Texas at Arlington and is currently pursuing her doctorate degree in finance and administration at the school.

"All I lack now is my dissertation, and after all, what good is spare time anyway?" she said.

According to her father, Jack Fouse, Jacqualyn and her sister, Kathryn, have always been hard workers.

"They both have worked really hard, and it's paid off," he said during the dinner honoring Fouse.

As CFO of Alcon, the eye care company which had more than $3.9 billion in sales last year, Fouse doesn't have a lot of free time. Despite this, she serves on the Chancellor's Council of the University of Texas System; is a member of Texas Christian University's Accounting Department Advisory Council; participates in TCU student mentoring; sits on the board of directors of ORBIS International, a non-profit organization dedicated to saving sight and eliminating avoidable blindness; and sits on the board of directors of Ophthalmic Women Leaders.

An active member of the community, Fouse is also considered by many to be a leader in business. Since re-joining Alcon as CFO in 2002, Fouse has been a key contributor to Alcon's senior management team that led the global sales and marketing organization to create double digit sales growth over the last three years.

Fouse also led negotiations for a number of royalty buy-out arrangements with product licensors. Her support of cost-saving initiatives within the company's manufacturing facilities have helped to realize an increase in Alcon's gross profit margins from 70.9 percent in 2001 to 72.4 percent in 2004. So far in 2005, Fouse said, the company's gross profit margin sits at a healthy 74.3 percent. This improvement will contribute nearly $150 million in increased gross profit in 2005, according to the company.

Fouse has also fostered a culture of controlling the growth of overhead expenses through improved communication of corporate objectives; more targeted management incentive programs, improved utilization of information technology and standardized system platforms. As a result of these and other initiatives, selling, general and administrative expenses as a percent of sales have been reduced from 34.7 percent of sales in 2001 to 31.6 percent in 2004 and 30.2 percent through the first six months of 2005.

For Fouse, many of these achievements have come about because she has taken a broader view of the company beyond just looking at the quarterly bottom line.

"That's one advantage to being a foreign-owned company," said Fouse. "We look a little longer term and don't panic as quickly with one quarter's numbers. I believe every company could benefit from taking a broader view."

That is also an advantage to studying economics, she said.

"I really started out in economics. We had to take some accounting classes and that's sort of how I ended up here. I think the economics background gave the knowledge to put the numbers in perspective," she said.

Alcon, a majority-owned Swiss company, does not have to report quarterly numbers, but, despite this, Fouse has chosen to abide by those rules and issue quarterly reports. Many foreign-owned corporations only report results every six months.

"We issue quarterly reports because it allows investors to compare us apples-to-apples with other companies out there," she said.

According to Carl Smith, national chairman of the IMA, the fact that Fouse complied with the Sarbanes-Oxley rules (which govern financial reporting) voluntarily was a key factor in the decision to name her Financial Executive of the Year.

"One of the factors we look for is a high ethical standard and that was certainly an indication she maintains very high standards," he said.

Fouse joined Fort Worth-based Alcon from Lockheed as a financial analyst in 1986. In 1993, she moved to Switzerland as assistant controller for the pharmaceutical and cosmetics group of Nestle, which was then Alcon's corporate parent. She later became the group's treasurer. While living in Switzerland, Fouse also got to practice her other "foreign" languages: Spanish, German and Italian.

In June 2001, she left Nestle to become chief financial officer of Swissair, which was then struggling to avoid bankruptcy.

"I was part of a group that came in as a rescue team for the airline," she said.

Rescue was short-lived however; as outside factors quickly scuttled any hopes of reviving the airline after the September 11th terrorist attacks. Swissair eventually filed for bankruptcy and parts of the company were sold off.

"I'm glad I [worked there] because I learned a lot. Swissair officials had made some business decisions that didn't turn out for the best. Seeing the results of those decisions gave me a good view of what can happen even under the best of intentions," she said.

Fouse said she isn't sure what the future holds, but plans to continue to live by a quote she once read: "We are what we repeatedly do. Excellence, then, is not an act, but a habit."

"It's a quote from Aristotle," she said. "I don't remember where I read it, but it stuck with me. When something sticks with you like that, you know it is having an impact on you."

Contact Francis at rfrancis@bizpress.net.

Bus. Alcon

ADVERTISING | ADDY AWARDS

Game for Alcon takes top honor

Four Fort Worth firms are big winners in the competition for local advertising agencies.

2 March 2009

By SANDRA BAKER
sabaker@star-telegram.com

A patient education game called, "Oh My! Pink Eye!," created by the Balcom Agency advertising firm for Fort Worth-based pharmaceutical company Alcon, was recognized with the top Best of Show honor in the annual Addy Awards Gala held Saturday in downtown Fort Worth.

The agency was among four Fort Worth advertising and public relations firms to score big in the awards show of the American Advertising Federation Fort Worth, held to honor the creative work of local agencies and companies. Nearly 200 awards were presented to 20 agencies and companies.

Concussion Advertising and Public Relations won 63 Addys — the most presented — including 21 gold, 21 silver and 21 bronze awards. The agency also won a Best of Show Award in the broadcast category for a television campaign created for Osage Million Dollar Elm Casino.

GCG received the second-highest number of awards, 36 Addys — five gold, 16 silver and 15 bronze.

Algo+Rhythm received the Best of Show Award in the print category for a piece created for Ellington Fans, and 34 Addys — 14 gold, 13 silver and seven bronze.

Balcom also won a Best of Show Award in the interactive category for a Web site created for Real School Gardens, and 23 Addys — nine gold, five silver and nine bronze.

The four firms won 156 of the 194 Addys presented at the event, held at the Ashton Depot. The contest drew 735 entries.

KinetiqHD received a Special Judges Award for an entry in the online category for client En-ovation Group.

Gold Addy winners now compete in the Tenth District Addys on April 24 in Houston, and winners at the district level move on to the National Addys in June in Washington, D.C.

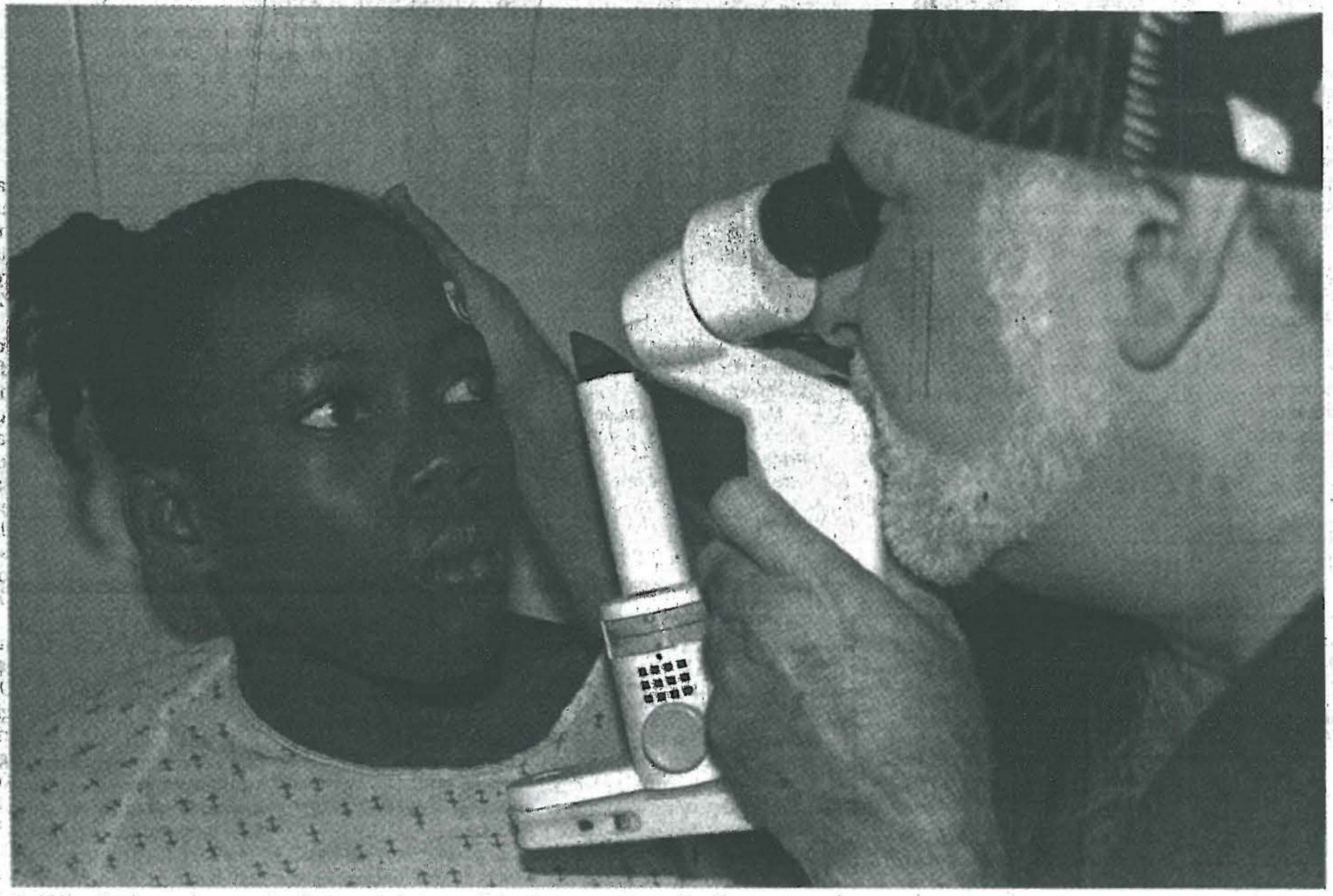
Also presented were 35 student awards for entries from Texas Christian University, the University of Texas at Arlington, the University of North Texas and Westwood College. Lisa Tseng of UT-Arlington received the Student Best of Show Award. Alicia Espinosa of UNT and Bethany Sexton of TCU each received a Student Special Judges Award.

SANDRA BAKER, 817-390-7727

2 March 2009

Brenna
Alcon

"All stakeholders look for companies who are well-rounded and doing the right thing.
Winona Edwards, director of humanitarian and community services Alcon



Dr. Sidney Katala examines a patient in Tanzania during a mission that was supported by Alcon. BACKPACK PRODUCTIONS FOR HELEN KELLER INTERNATIONAL

Giving for a reason

More companies are giving in ways that are related to their industry

15 Oct 2007

By MARIA M. PEROTIN
mperotin@star-telegram.com

While most company executives fret about ways to boost profits, Winona Edwards' job is to give away some of Alcon's earnings.

As director of humanitarian and community services for the Fort Worth company, Edwards and her 17-person staff arrange donations to needy hospital patients, overseas medical missions, and an array of programs that prevent and treat blindness.

The gifts amount to $123 million over the past three years, most of it in the form of free medicines to indigent patients here and abroad. The goal of those giveaways: to keep up Alcon's decades-old tradition of charity and to bolster the company's standing as a leader in the eye-care field.

The strategy reflects the evolving role of corporate philanthropy, as many U.S. companies attempt to align their charity with their business interests.

"All stakeholders look for companies who are well-rounded and doing the right thing," Edwards said. "The philanthropic side is, I think, becoming increasingly important."

Corporate giving
(in billions of inflation-adjusted dollars)

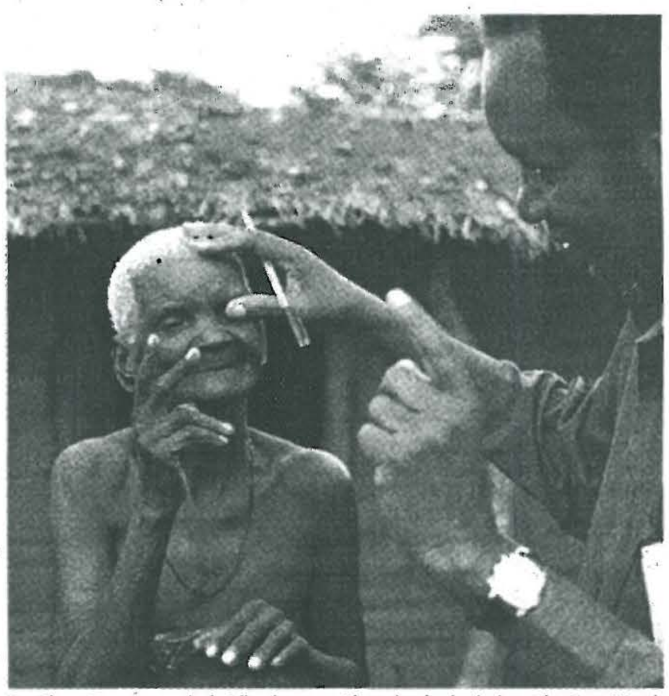
Year	Amount contributed	% of pretax profits
2006	$12.72	0.7
2005	$14.21	0.9
2004	$12.12	1
2003	$12.12	1.2
2002	$12.09	1.4
2001	$13.27	1.6
2000	$12.57	1.4
1999	$12.38	1.3
1998	$10.46	1.2
1997	$10.83	1.1
1996	$9.65	1

Training forum set

Certainly, it's increasingly visible.

While companies continue to support United Way campaigns and make donations to their favorite charities, they are also focusing on other approaches: steering donations to causes that line up with their business goals, tightly managing their contri-

More on DONATIONS on 3C



Dr. Glenn Strauss works in Liberia on an Alcon-backed mission. The Fort Worth company supports eye-related ministries worldwide. COURTESY OF MERCY SHIPS

Donations: Percentage of profits given has decreased since 2001

15 Oct 2007

CONTINUED FROM 1C

butions, donating their own products instead of cash and rallying employees to volunteer, said Curt Weeden, chief executive of the South Carolina-based Association of Corporate Contributions Professionals.

"People know companies make a lot of money. It's pretty easy to cut a check," Weeden said. "Maybe it ain't so easy when you have to pull together a bunch of people and have them, on their own time, go out and improve the community."

Weeden, whose organization represents 147 companies, provides training and other resources to the managers who oversee volunteering and other corporate philanthropy efforts. Next up on his group's agenda is a four-day training forum for about three dozen participants from around the country, which begins today on Alcon's south Fort Worth campus.

Such training is especially helpful as corporate-giving programs become more complex and structured, Edwards said.

Alcon, for example, supports 1,100 medical missions annually.

The program started with a single mission 44 years ago. And as recently as the 1990s, the company provided medicine for just a few hundred overseas trips each year.

Corporate giving declines

Despite philanthropy's higher profile, businesses aren't making more donations to charity.

U.S. corporations contributed an estimated $12.72 billion last year, according to a study by the Giving USA Foundation. That marked a decline from 2005, when the aftermath of Hurricane Katrina prompted a surge in generosity.

Overall, corporate giving has hovered between $12.1 billion and $14.2 billion annually since 2000. But as companies' earnings climbed in recent years, their donations have had less and less effect on the bottom line.

In 2001, businesses' contributions amounted to 1.6 percent of their pretax profits. Last year, they gave away 0.7 percent of profits, according to Giving USA.

"Over the last five years, frankly, it's gone down," Weeden said. "They just haven't kept pace with this extraordinary growth of profit."

Cari Hills Parsons, who is director of the New York-based Committee Encouraging Corporate Philanthropy, said businesses can figure out how they stack up by assessing the donations of comparable companies — those in the same industry, of the same size or with a similar work force.

"We don't advocate one specific yardstick for measuring corporate giving. But we do suggest that companies compare themselves to peers," Parsons said. "We encourage making an educated decision based on what others are doing and where you want to position yourself."

'Good corporate citizens'

Why donate money at all?

Many workers, especially younger ones, favor employers who give something to their communities, Parsons said. And some studies have shown that "good corporate citizens" have an edge with customers, too.

"That's a pretty compelling driver," she said. "One that could possibly help generate brand recognition, employee morale, visibility in front of the customers."

At specialty insurer HealthMarkets, based in North Richland Hills, philanthropy is often aimed at causes that directly affect employees, such as fighting cancer and helping children with special needs, Chief Executive William Gedwed said.

"I think it builds a loyalty, a bond with your employees," Gedwed said. "They view you as a company that's a giving company, a caring company and one that they'd like to work for."

Of course, businesses' motives aren't entirely altruistic. Like individuals, companies get tax breaks for their charitable contributions. And the deduction is even larger if they donate products instead of money.

Still, executives have to prove a business case to justify donations that otherwise could have been turned to profits, Weeden said.

"You have to do two things at once. You have to show value to society, because you won't get a tax write-off if you don't," Weeden said. "At the same time, it's not your money to give away. It's the shareholders' money."

Finding the right cause

Often, businesses head off questions about philanthropy by making donations that are relevant to the company and to its other goals, he said.

Exxon Mobil, for example, directs some of its contributions to math and science education programs.

"We need more engineers and more kids going into mathematics and science," said Mark Boudreaux, Exxon Mobil's corporate citizenship and community investments manager. "We're a science-based company. We have 14,000 scientists and engineers. We're very focused on increasing the pool."

Parsons, of the philanthropy advocacy group, said many executives "understand how giving away money can bring back social benefits and also business benefits."

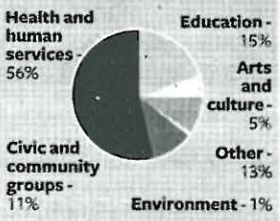
Nonetheless, she warns that the effort could backfire.

"You need to be authentic, or else people will know that you're doing it for other reasons," Parsons said.

MARIA M. PEROTIN, 817-390-7339

Where corporate donations go

Businesses steer much of their philanthropy to health services, with most donations coming in the form of medicines and other products. Cash accounts for less than half of overall giving.*



*Total doesn't add up to 100% because of rounding

Source: Conference Board, 2006

STAR-TELEGRAM

Corporate giving

North Texas businesses support an array of causes:

■ Alcon

The Fort Worth-based eye-care company donates drugs and surgical equipment to more than 1,200 philanthropic medical missions around the world, including the ORBIS Flying Eye Hospital. The company gives free medicine to low-income patients with ophthalmic conditions. It supports ophthalmology and optometry education, as well as Braille instruction. Locally, employees have adopted the Everman school district. They also host an annual walk-a-thon on Alcon's campus that has raised more than $500,000 for Prevent Blindness Texas.

■ Exxon Mobil

The Irving-based oil giant has an initiative to prevent and treat malaria in Africa. It launched a project in 2005 to educate women and girls in Africa, Latin America, the Middle East and Asia. In the United States, it contributes to math and science education. It provides a $3-for-$1 matching gift when workers and retirees donate to colleges and scholarship funds. Last year Exxon Mobil, its employees and retirees gave a combined $170 million to community investments around the world. And they and their families donated more than 680,000 volunteer hours in 22 countries.

■ HealthMarkets

The specialty insurer, which is based in North Richland Hills, is the Metroplex's largest corporate giver to the Marine Corps Reserve's Toys for Tots campaign. Employees recently raised $125,000 for Special Olympics Texas. The company also supports the Lance Armstrong Foundation. It pays for technology and education programs at two local schools.

■ The Home Depot

The Atlanta-based home improvement retailer focuses its philanthropy on building and refurbishing gathering spaces, playgrounds and homes, as well as rebuilding buildings damaged in weather-related disasters. One example: Employee volunteers have helped build hundreds of playgrounds in partnership with the nonprofit group KaBoom.

■ Justin Brands

The Fort Worth bootmaker sponsors a "cowboy crisis fund" that has given $4 million to injured rodeo cowboys. Last week it joined forces with Sprint to donate 46,000 calling cards to members of the Armed Forces, which should enable men and women who are serving in 11 countries to call home during the holidays.

■ Lockheed Martin Aeronautics Co.

The Fort Worth-based military aircraft builder supports various organizations, including Big Brothers/Big Sisters of Tarrant County, Carter BloodCare and Adopt-a-Highway. The company sponsors the annual MathCounts competition and supports various programs about careers in engineering. It donates money to the local nonprofit groups for which employees volunteer. And its workers, who recycle aluminum cans to help Habitat for Humanity, have raised enough money to build a house.

■ Pier 1 Imports

The home furnishings chain based in Fort Worth supports UNICEF in various ways, including distribution of Halloween collection boxes at its stores. It donates money to Susan G. Komen for the Cure from the sale of specially marked products. It has adopted E.M. Daggett Elementary School, and employees donate clothing to the school's students each winter.

■ Target Corp.

The Minneapolis-based discount retailer donates 5 percent of its income to charity. The company offers grants primarily to arts groups that bring art to schools or make cultural experiences affordable for families; programs that encourage children to read; and programs that address family violence. It has relationships with many organizations, including the American Red Cross, the Hispanic Scholarship Fund, America's Second Harvest and the Vietnam Veterans Memorial Fund.

■ Wal-Mart

The Arkansas-based discount giant and its foundation gave $270 million last year in cash donations, and its employee volunteer program recorded almost 1 million volunteer hours. Contributions went toward an array of recipients, including student scholarships, a Teacher of the Year program, gifts for military families and donations to children's hospitals.

■ XTO Energy

The Fort Worth energy company matches employees' donations to colleges. It awards scholarships to high school seniors in various states. The company has raised money for various organizations, including Ronald McDonald House and March of Dimes. It also has a practice of buying animals at local stock fairs from students and donating the animals to charity.

— *Maria M. Perotin*

Business
Alcon

IPO could make Alcon even better

7 Nov 2001

Mitchell Schnurman
COMMENTARY

SCHNURMAN Despite a retired CEO's complaints, the demands of the stock market could help Alcon Laboratories.

Is Wall Street bad for business?

The retired CEO of Alcon Laboratories said as much this week, when he threw a wet blanket on possible plans for an Alcon public offering. Ed Schollmaier, who led the eye-care company for two decades, lamented the relentless demands of investors when Alcon's stock was publicly traded in the 1970s.

"It was virtually impossible to ignore the pressure," Schollmaier told my colleague Trebor Banstetter. "We found ourselves constantly pushing and pulling and hawing."

What did he expect — style points for showing up?

On the New York Stock Exchange, it's performance that counts, short term and long term. And isn't that the American way?

For years, unless they were hitting their numbers, CEOs have whined about Wall Street's focus on quarterly results. The complaints became a near-chorus in the late 1980s, when Japanese manufacturers were eating

More on SCHNURMAN on 10C

SCHNURMAN

Continued from 1C

our lunch.

Japan embraces central planning, subsidized loans and an obsession with the long term. In the United States, it's more like Darwin in the marketplace.

Well, the free-market guys won the '90s in a blowout. And the discipline of our stock markets had a lot to do with it.

Nestle, Alcon's parent company, wants a piece of that action, too. It's weighing an Alcon IPO so that Nestle shareholders can reap some of the value.

As Schollmaier implied, Wall Street is a taskmaster. What he didn't say was that good companies often become great after they go public.

Every day they're measured against their peers and, in a sense, against every other public company. Those that excel are treated like icons. Those that disappoint are punished severely.

That can make life uncomfortable for chief executives, who get much of the blame or acclaim.

Schollmaier avoided that dynamic for most of his tenure, because Nestle bought all of Alcon's stock in 1977 and operated it as a subsidiary. With 80 percent of its business in foods, Nestle gave the Fort Worth guys free rein.

They rewarded their Swiss parent with steady growth and the leadership position in its business: eye-care drugs and surgical equipment.

"Ed had the best of all worlds," said Stan Block, a finance professor at Texas Christian University. "The company was acquired, and nobody was telling him what to do."

Schollmaier, who retired four years ago, knew how good it was. He said Nestle's greatest contribution to Alcon was "freeing it from the markets. ... It was just glorious."

He said he resented having to deal with "ding-a-ling analysts," a candid characterization that many CEOs would second.

Tough rocks, I say. If you've got our money, answer our questions.

Maybe it's time-consuming, even insulting to be challenged. But maybe the scrutiny makes you better, too.

"Sometimes it's really good to have someone looking over your shoulder," said Gordon Walker, who teaches corporate strategy at Southern Methodist University. "Maybe Alcon needs that pressure."

Alcon's sales have grown steadily under Nestle, but the rate has slowed since revenues topped the $1.5 billion mark. In the past five years, sales increased less than 9 percent annually — strong but not stellar during a booming economy.

An Alcon spokesman said the company can't comment on the IPO or Schollmaier's remarks. He cited the Securities and Exchange Commission's "quiet period" rule, which prohibits companies from hyping their stock before it's offered to the public.

But that rule doesn't apply here. Nestle hasn't decided whether to go ahead with the IPO. And the registration statement, which triggers the quiet period, hasn't been filed yet.

If Alcon sticks with its close-mouthed policy, CEO Tim Sear is stuck in a box.

His predecessor just slammed one of the most important moves in company history and, worse than that, Schollmaier's views are probably held by many of the company's 11,000 employees.

If they're like workers everywhere, most are dreading change.

Alcon, consistently named one of the best places to work, has some of the best benefits anywhere, including a 2-for-1 match on retirement plans and generous time off.

Sear needs to explain how Alcon will make it work. How will it balance the competing demands of workers and Wall Street, and still meet the expectations of customers and the rest of the management team?

Schollmaier was right when he said that things will change at Alcon. It's up to Sear to show that life can get better.

He can start by ignoring the lawyers and speaking out. And telling Schollmaier he's all wet.

Mitchell Schnurman's column appears Wednesdays and Fridays. (817) 390-7821
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Business
Alcon

STAR-TELEGRAM ■ WWW.DFW.COM

IPO would enhance Alcon, at a price

4 Nov 2001

By TREBOR BANSTETTER
STAR-TELEGRAM STAFF WRITER

HEALTH CARE A public offering of Alcon Laboratories stock would raise capital and the company's profile. It would also eliminate the financial protection that Alcon has enjoyed for more than 20 years.

FORT WORTH — Alcon Laboratories is one of the great Cowtown success stories that many people know little about.

A small Fort Worth ophthalmic pharmacy founded in 1945 by two partners, Alcon is the world's leading eye care company, with billions of dollars in sales, thousands of employees and operations on six continents.

But even in Tarrant County, few people are familiar with Alcon. That's largely because the company has been under the protective cloak of its parent, Swiss food giant Nestle S.A., since the late 1970s.

As a wholly owned Nestle subsidiary, Alcon hasn't had to worry about the financial markets, stock analysts or business journalists. Its executives pride themselves on their quiet independence and ability to fly "below the radar," unlike major competitors, who have to grapple with pressure from shareholders, analysts and the Securities and Exchange Commission.

But that could change dramatically if Alcon's parent company, which is based in Vevey, Switzerland, goes forward with a plan to offer a portion of the company's shares to the public.

Alcon would be thrust into

More on ALCON on 6F

ALCON

Continued from 1F

the spotlight, required to disclose detailed financial information, cater to Wall Street analysts, communicate with investors and face pressure from shareholders for short-term results and a strong stock price.

Schollmaier

"It will be a huge change," says Alcon's former CEO Ed Schollmaier, who retired in 1997.

Schollmaier was running the company the last time it was publicly traded, during the 1970s. That ended in 1978 when Nestle purchased all of Alcon's outstanding stock, taking the company private.

Nestle shouldn't underestimate the pressures of Wall Street when determining whether to float Alcon stock once again, said Schollmaier, who noted that running the company while it was being traded on the New York Stock Exchange was no picnic.

"It was virtually impossible to ignore the pressure of quarters," he says. "We found ourselves constantly pushing and pulling and hawing. We had a hard time keeping our eye on the long-term ball."

Analysts say there will be a strong market for Alcon's stock, and many look forward to the chance to examine the company's inner workings for the first time.

But for management and employees, the change is likely to send some shocks through Alcon's insulated corporate culture.

"There are a lot of advantages [to going public], but it also presents a lot of new challenges," says Geraldine Leder of LederMark Communications, a Baltimore firm that specializes in communications for investment companies. She has shepherded many companies through public offerings.

Alcon officials say they have always faced pressure for results, but it has been from a single investor — Nestle — rather than the markets.

"We've always been very committed and focused on shareholder value," spokesman Doug MacHatton says. "That won't change, whether we're dealing with Nestle or with stockholders."

But he acknowledges that scrutiny from the markets is likely to be more intense.

"There certainly would be more people who would have experience available in our global organizations."

sidiary with a low profile in the financial markets, analysts say the company's performance hasn't provided a big boost for the stock price of Nestle, which is traded on European stock markets.

"[Nestle] has had a very difficult time getting any financial community recognition of their major [private] holdings, including Alcon," Schollmaier says.

Alcon is a high-flying company, he says, but Nestle's price/earnings ratio does not reflect Alcon's success.

"That's very frustrating for them," he says.

An IPO would also strengthen Nestle's credit rating, company officials said in a written statement.

"An IPO would highlight Alcon's success and continuing influence in the eye care industry," Nestle CEO Peter Brabeck-Letmathe wrote. "And [it] would create a direct vehicle for investment in this premier specialty health care business."

Another advantage to going public would be the ability to offer stock options to employees. Having an ownership stake often makes workers feel connected to a company on a personal level, and a generous options plan for executives would help Alcon recruit and retain top talent.

MacHatton says employee stock options are definitely being considered, but he cautions that it is too early to know details.

"All of this is really up to Nestle at this point," he says.

But the cost of those benefits could be steep. The company would be giving up the insulation and independence that has helped executives realize their long-term outlook since 1978. It's an essential management style for a company that invests heavily in research and development, as Alcon does.

"The markets don't look to the long-term," Leder says. "It's completely the opposite. It's all about the short term."

Schollmaier recalls dealing with the markets. It's not a fond memory.

"We always had to manage things so we didn't take a big hit in any particular quarter," he says. "We delayed capital expenditures and things like that based on the short-term effects on the market."

For example, he recalls, the company was slow to expand into the growing Puerto Rican market during that time "because we weren't sure we wanted to take the risk."

Schollmaier also didn't relish having to spend time working with what he called "ding-a-ling analysts," many of whom

Employee impact

Alcon's long-term outlook has helped it become one of the highest-rated employers in the country.

The company rarely has trouble attracting skilled biotechnology workers, who are much in demand. Applicants flock to Alcon's heavily landscaped corporate headquarters, which feels more like a college campus than a business.

The company was ranked No. 34 on *Fortune* magazine's "best places to work" list in 2000 and 1999, and has an annual turnover of just 3 percent. The magazine cited the company's excellent employee benefits programs, corporate culture and employment philosophy.

In addition to generous salaries and benefits, workplace perks include a large employee fitness and workout center, a company store that sells Alcon products and a popular cafeteria.

The company built a Museum of Ophthalmology at the Connor Research Center at its headquarters. It houses several thousand items, which range from ancient eye care devices to a collection of late 19th and 20th century ophthalmic surgical instruments.

While stock options may be an additional incentive for workers, the pressures of the market may also work against Alcon's employee-friendly policies. During a bad quarter, the company would likely feel pressure from Wall Street to cut costs, and employee perks are often the first expenses to go.

"If you've had a bad quarter, the analysts want to see that you're doing something about it," Leder says. "That's why so often when companies announce layoffs, you see their stock price go up."

Such pressures can affect employee morale and productivity during a downturn, says Blake Frank, assistant dean of the Graduate School of Management at the University of Dallas.

"Whenever an organization faces a big change, you get a lot of concern from employees about what is going to happen to them," says Frank, who is an industrial psychologist. "There is a certain level of fear, and the challenge is for management to find a way to deal with that."

MacHatton says that long-term growth willl remain Alcon's focus, regardless of what happens to its stock.

"From a cultural standpoint, we've been evaluating our-for investment companies. She has shepherded many companies through public offerings.

Alcon officials say they have always faced pressure for results, but it has been from a single investor — Nestle — rather than the markets.

"We've always been very committed and focused on shareholder value," spokesman Doug MacHatton says. "That won't change, whether we're dealing with Nestle or with stockholders."

But he acknowledges that scrutiny from the markets is likely to be more intense.

"There certainly would be more people who would have opinions about how you should be doing business," he says.

Even in its hometown, Alcon has kept a low profile for the past two decades. When the American Academy of Ophthalmology held its annual meeting in Dallas last year, Alcon threw a huge outdoor gala at its Fort Worth campus off Interstate 35W just south of Interstate 20.

The eye care company, which has 2,600 employees in Fort Worth, transported 8,000 doctors and their family members to the party, which featured Texas-style food and entertainment, including live rodeo events. Despite overcast skies, the company considered the bash — which had taken a year to plan — a huge success.

A similar bash at a high-profile Metroplex corporation would probably have attracted some media coverage. But the Alcon party was kept as quiet as possible. Unless you attended, it's unlikely you ever heard about it.

Steep costs

In many ways, Alcon seems to be a natural for Wall Street. It is the worldwide leader in eye care — manufacturing surgical instruments, optical pharmaceuticals and consumer products such as contact lens solution.

Its revenues have grown more than 10 percent annually since 1988, when it posted $551 million in sales. Last year, it reported sales of $2.55 billion.

A public offering of a minority stake would allow Nestle to directly benefit from Alcon's success. Because Alcon is a wholly owned sub-

Schollmaier recalls dealing with the markets. It's not a fond memory.

"We always had to manage things so we didn't take a big hit in any particular quarter," he says. "We delayed capital expenditures and things like that based on the short-term effects on the market."

For example, he recalls, the company was slow to expand into the growing Puerto Rican market during that time "because we weren't sure we wanted to take the risk."

Schollmaier also didn't relish having to spend time working with what he called "ding-a-ling analysts," many of whom he thought didn't understand his company or the industry.

Nestle's $280 million purchase of Alcon "rescued" the company from those pressures, he says.

"We changed the focus to concentrating on the performance of the business," Schollmaier says. "We didn't worry if one month was slower than the next."

During an interview this year, Alcon CEO Tim Sear affirmed that Nestle has continued its hands-off policy since Schollmaier retired in 1997, allowing the company tremendous freedom as long as it performs as expected.

Company executives hinted at their protected status in their 1997 "Vision and Commitment" report distributed to customers.

"While other companies may 'reengineer' their organizations and cut costs by eliminating long-term employees," they wrote, "Alcon benefits from the breadth and depth of

Blake Frank, assistant dean of the Graduate School of Management at the University of Dallas.

"Whenever an organization faces a big change, you get a lot of concern from employees about what is going to happen to them," says Frank, who is an industrial psychologist. "There is a certain level of fear, and the challenge is for management to find a way to deal with that."

MacHatton says that long-term growth willl remain Alcon's focus, regardless of what happens to its stock.

"From a cultural standpoint, we've been evaluating ourselves, on both a long-term and quarterly basis, for a long time," he says. "So I don't expect this to have a big change on the way we do things here."

If Nestle does spin off a portion of Alcon's stock, Schollmaier says, it will be the end of an era.

"You'll go back to reviewing and forecasting your performance, with the analysts looking over your shoulder," he says. "If that happens, I'm not sure the real advantage to being part of Nestle will still be there."

Without those years of independence, Schollmaier says, Alcon probably wouldn't be in the position today of being considered for an IPO.

"The greatest contribution Nestle made to the company was freeing it from the markets," he says with a sigh. "It was a wonderful way to work. It was just glorious."

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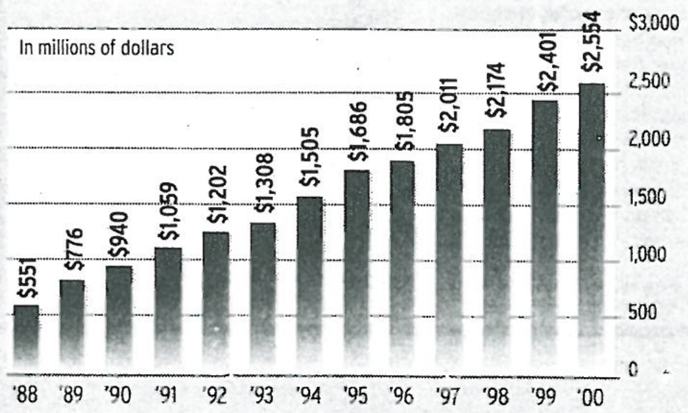
Growth story

Sales at Alcon Laboratories have grown by an average of 14 percent annually since 1988.



SOURCE: Alcon Laboratories

STAR-TELEGRAM

Dre Alcon Buehler

FORT WORTH

It's full speed ahead for new Alcon chief

Alcon's new CEO expects to look closely at the company's costs as it pushes for sales growth despite the economic recession.

10 JAN 2009

Buehler

By MARIA M. PEROTIN
mperotin@star-telegram.com

Kevin Buehler has a straightforward strategy for leading eye-care giant Alcon through treacherous economic times: Outsell competitors, expand market share and launch more innovative products.

They're ambitious goals for the Fort Worth-based company, which already is a worldwide leader in ophthalmology.

But Buehler, who was named this week as Alcon's new chief executive, said the ambition is a product of the company's long-standing culture.

"We do see our company as a high-performance-oriented company. Simply achieving at the average is not our priority," Buehler said Friday. "We are always looking to perform at a level that would be seen as a

More on ALCON on 3C

Alcon: Showing signs of vulnerability

CONTINUED FROM 1C

benchmark."

Easier said than done, of course.

The 51-year-old Buehler takes the helm at a time when Alcon, which had seemed all but invincible since it went public in 2002, is showing signs of vulnerability.

The company in October lowered its sales projections and earnings expectations for the year, in large part because of sluggish U.S. drug sales.

Buehler said he hopes to build on Alcon's steadfast focus on eye-related drugs, surgical equipment and consumer products. But success is far from guaranteed, as the economic downturn has made consumers hesitant to spend money on medical care.

"In order for us to continue to grow, and especially under difficult times like we're facing in the economy globally today, we're going to need to be very efficient," he said.

Buehler said many of Alcon's products should remain popular because people put so much value on their vision. Still, financially strapped consumers could opt to forgo surgery or cut back on prescription medicines.

"Our products are of a very high, acute, serious need," Buehler said. "That's not to say that we're not affected. People can make decisions to delay procedures."

Buehler joined Alcon in 1984 as a sales manager and has held an array of executive positions since then. Over that time, the company's annual sales have climbed from $400 million to about $6.5 billion.

"Twenty-four years ago, we were a relatively small company," Buehler said. "You can only imagine the sort of changes that have gone on here at Alcon."

Alcon, which was founded in Fort Worth in 1945, has 15,000 employees in about 85 countries, of whom about 3,000 are on the south side.

Buehler will become president and chief executive April 1, replacing the retiring Cary Rayment, 61, who has been the company's leader since October 2004.

Alcon also is preparing for its anticipated acquisition by a new majority stakeholder.

Swiss drugmaker Novartis AG agreed in April to buy a 25 percent share of Alcon from Nestlé and can acquire Nestlé's remaining 52 percent share by 2011.

Alcon shares (ticker: **ACL**) closed down 71 cents at $91.22 in Friday trading.

MARIA M. PEROTIN, 817-390-7339

Kevin Buehler

Current job: Senior vice president of global markets and chief marketing officer.

Alcon career: Joined Alcon in 1984 as a regional sales manager and held numerous positions in the consumer-products division. Also did stints in the managed-care and generic-drug groups, and in the international division. Named senior vice president in 2004.

Previous experience: Sales positions with The Gillette Co. and a retail management post with Snyder Drug Stores.

Education: B.S. from Carroll College in Wisconsin. 1993 participant in the Harvard Program for Management Development.

Personal details: Married, with a 21-year-old daughter and a 17-year-old son.

Business
Alcon

Jan 10-16 2005 FW Business Press

Business
Alcon
Bd. of Directors
Cash

GOVERNANCE

James I. Cash to resign from board of Alcon

Citing increased demands on his time, James I. Cash said he will resign from the board of Alcon effective Dec. 31. Cash, a Harvard University professor who also serves as a director for Microsoft, was recently named chairman of that board's antitrust compliance subcommittee. "I must cut back on my service on some other boards, one of which is Alcon," Cash said in a statement. Alcon plans to nominate a replacement at its May 2003 annual meeting. Alcon, with headquarters in Fort Worth, is a leading producer of surgical equipment and pharmaceuticals for eye care.

6 Dec 2002
FWS-T

Alcon

Joyce Bailey Lorenzetti

22 July 2001

FORT WORTH — Joyce Bailey Lorenzetti, 65, an artist and retired pharmacist, passed away Friday, July 20, 2001, in Fort Worth.

Funeral: 10 a.m. Monday at St. Patrick's Cathedral in Fort Worth. Graveside services: Laurel Land Memorial Park. Rosary: 6 p.m. Sunday at Laurel Land Memorial Chapel with visitation to follow.

Memorials: Donations may be made to the American Cancer Society or to the Susan G. Komen Breast Cancer Foundation.

Pallbearers: Son, CPT Dario N. Lorenzetti; nephews, Josh Thornburg, Lt. Col. Jack D. Patterson, Richard Escue; brother, Layne Bailey; and brother-in-law, Timothy Thornburg.

Joyce was born Jan. 20, 1936, in Salyersville, Ky. She graduated from Ohio State University (cum Laude) with a bachelor's degree in pharmacy and a master's degree in pharmacology. While studying at Ohio State, she met and married her husband of 40 years, Ole Lorenzetti (retired vice president of therapeutic research at Alcon Labs. Inc.). Joyce and Ole moved to Fort Worth in 1969, where she worked for 37 years as a pharmacist and owned her own drug store. In 1998, she fulfilled a lifelong ambition when she graduated magna cum laude from the University of Texas at Arlington with a B.A. in fine arts. As a sculptor and painter, she created hundreds of beautiful works of art, which she displayed and shared with friends and family. Joyce's love of artistry in three dimensions was depicted in her clay pieces, many of which were bronzed. All of her works reflect the love that she had for life, God and family. The beauty of her vision is preserved in her art and will be long remembered by all who have been touched by her works, understanding and compassion. She loved to travel and studied the art and architecture of many regions around the world. She is known to all for her lively wit and dry humor, which liberally peppered her many travel stories. She will be remembered as a devoted mother, grandmother and loving wife, with a passion and enthusiasm for life, history and art. She will be greatly missed. Joyce was preceded in death by her father, Chester A. Bailey and a brother, Lewis Norbert Bailey. Her family wishes to extend their heartfelt thanks to doctors Garrison, Nugent, Crawford and Tomberlin, the staff of Harris Hospital and all of the many healthcare workers who cared for Joyce, for their compassion and kindness.

Survivors: Husband of 40 years, Ole Lorenzetti; mother, Marie Caudill Bailey; children, Elizabeth Lorenzetti Harvey, Maria Lorenzetti Blazo and Dario Lorenzetti; grandchildren, Ian and Eric Harvey; sisters, Helen Bailey Patterson and Gloria Jean Bailey Thornburg; brother, Layne Bailey; and many nieces and nephews.

Business
CFO Alcon
Fouse

Former Swissair Chief Executive Eric Honegger is congratulated Thursday by former employees after the decision in Buelach, Switzerland. Prosecutors did not say whether they planned to appeal. KEYSTONE/STEFFEN SCHMIDT VIA THE ASSOCIATED PRESS

Judges acquit top execs in Swiss airline's collapse

By ONNA CORAY
The Associated Press

8 June 2007

BUELACH, Switzerland — Nineteen top executives and consultants were acquitted Thursday by a three-judge court in the collapse of Switzerland's former national carrier, Swissair.

Among the acquitted was Jacqualyn Fouse, chief financial officer of Fort Worth-based Alcon Inc., who served as chief financial officer of Swissair Group from July 2001 to May 2002. The government was ordered to pay the defendants compensation totaling more than $2.5 million.

The defendants in Switzerland's largest corporate fraud trial denied charges that included damaging creditors, mismanagement, making false statements and forging documents. Some have blamed the big Swiss banks and the 9-11 attacks for the airline's downfall.

Fouse couldn't be reached for comment Thursday. She became CFO at Alcon, where she had spent part of her earlier career, shortly after leaving Swissair.

Fouse

Swissair was abruptly grounded on Oct. 2, 2001, after months of financial problems left it unable to pay for fuel and landing fees. Tens of thousands of passengers were stranded worldwide. Thousands of employees and many shareholders lost their life savings.

Prosecutors sought prison for Mario Corti, the last chief executive of now-defunct parent SAirGroup, and a range of suspended sentences for 18 other airline executives, board members and consultants. In addition to the acquittal, the defendants will receive compensation payments ranging from $16,000 to $400,000 for Corti.

Former employees and others in the courtroom were angered by the decision.

Prosecutors said they had yet to decide whether to appeal the acquittal before the 10-day deadline.

Legal quandary

Eyebrows raised by Alcon deal with Novartis

Rob Robertson
rrobertson@bizpress.net

The recent purchase of the controlling stake of Fort Worth-based eye care company Alcon Inc. by Swiss pharmaceutical giant Novartis AG didn't raise many eyebrows outside of North Texas, but the fate of the minority shareholders is now generating lots of attention.

Novartis, which already owned 25 percent of Alcon, on Aug. 26 purchased the remaining 52 percent owned by Alcon's parent company, Nestlé SA, for $28.3 billion. The remaining 23 percent of Alcon shares is controlled by public shareholders.

Novartis officials say they plan to purchase the remaining shares before merging with Alcon, but several Alcon minority shareholders oppose the move, saying Novartis is short-changing them by as much as $40 per share, or nearly $3 billion. Novartis paid Nestlé just more than $180 per share in the Aug. 26 deal.

Industry practice for the purchase of minority shares in an acquisition typically involves paying the minority the same price-per-share that was paid for the majority's shares – oftentimes more. Paying less is almost unheard of.

The Alcon deal is unique, however, because despite being based in Fort Worth, Alcon was incorporated in Switzerland, which puts it outside of most U.S. shareholder protection laws. The Swiss also have robust protection laws for minority shareholders, but Alcon fails to qualify for them because its shares aren't traded in Switzerland – they're traded in New York. Thus, Alcon finds itself in a legal no man's land where most minority shareholder protection laws don't apply, and that's what has gotten the attention of Wall Street.

Still, the shareholders aren't completely unprotected. The Independent Director Committee (IDC) of Alcon's board of directors must approve any offer made by Novartis, and already has rejected Novartis' first proposal in January 2010. Beyond the IDC, any new offers must also be approved by the boards of both companies, an independent auditor, two-thirds of all shareholders and finally the Swiss Trade Registry.

"We look forward to negotiating a deal that affords fair value to Alcon's minority shareholders," said Thomas G. Plaskett, chairman of the IDC, in a statement. "An agreed transaction is in the best interests of all stakeholders and is clearly preferable to protracted litigation ... However, we are ready to defend the rights of Alcon and its minority shareholders if Novartis refuses to negotiate a fair deal."

Novartis may not be particularly interested in playing nice because it already paid higher than market value for the shares it bought from Nestlé. Industry insiders fear Novartis will use Alcon's in-between status to recoup some of what they paid for the majority shares.

As Novartis gets more serious about finishing the merger, it is likely that the minority will secure a better offer than the one rejected in January. Whether or not the price will still be lower than that paid to Nestlé – and whether shareholders accept it or continue holding out – remains to be seen.

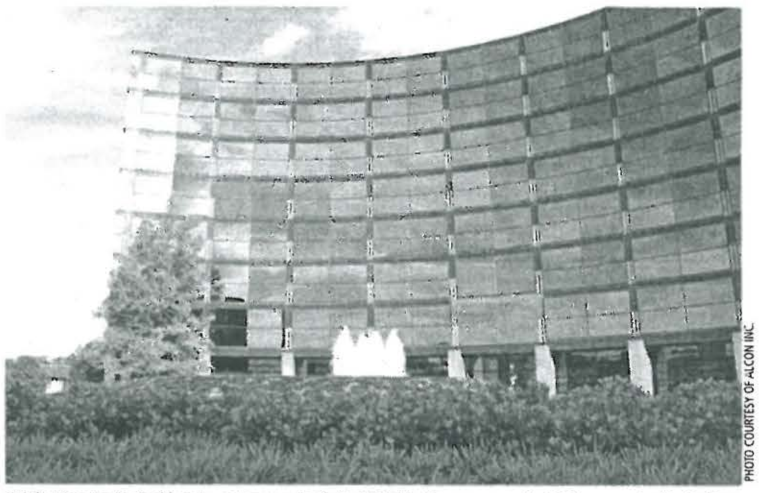


PHOTO COURTESY OF ALCON INC.

While Alcon's physical headquarters may be in Fort Worth, the eye care giant is incorporated in Switzerland, which has created questions about which country's investor protection laws apply to its acquisition by Swiss pharmaceutical giant Novartis AG.

> We look forward to negotiating a deal that affords fair value to Alcon's minority shareholders ... However, we are ready to defend the rights of Alcon and its minority shareholders if Novartis refuses to negotiate a fair deal.
>
> – Thomas G. Plaskett, chairman of the Independent Director Committee (IDC) of Alcon's board of directors

FDIC quarterly report: hodgepodge of good, not-so-good

The Federal Deposit Insurance Corp. offered a mixed bag with its banking report for the second quarter Aug. 31 as U.S. banks posted their highest quarterly net income increase since 2007, while 45 institutions failed and more than 50 were added to the agency's "problem" list.

- Reductions in loan-loss provisions helped boost the industry's quarterly earnings to $21.6 billion – a dramatic increase from the year-ago loss of $4.4 billion and the highest overall total in three years. Almost two out of three institutions (65.5 percent) reported higher year-over-year quarterly net income.
- The proportion of institutions reporting quarterly net losses also was down from the year before but still historically high at 20 percent, the FDIC said. More than 29 percent of banks reported losses last year.

Other highlights from the report:

- Margins improved for most banks. More than 70 percent of all institutions reported year-over-year increases in net interest income, though a large percentage of that may be attributable to changes in accounting rules.
- Noninterest income fell. More than half of all institutions reported year-over-year reductions in quarterly noninterest expense, partly due to new accounting rules but mainly due to drops in servicing income (fees) and fewer gains on loan sales and other assets. This is the seventh consecutive quarter that fee income has declined from the prior year.
- Net charge-offs recorded the first year-over-year decline since fourth quarter 2006. This was despite a more than 100 percent increase in charge-offs of real estate loans, reflecting further deterioration in commercial real estate portfolios. Almost half of banks with more than $1 billion in assets reported lower net charge-offs, while only 43.6 percent of community banks reported year-over-year declines.
- Noncurrent loans (loans more than 90 days past due) declined for the first time in more than four years. However, the bulk of that reduction happened at larger banks – noncurrent loans at banks with less than $1 billion in assets (community banks) actually increased slightly.
- Rising securities values helped grow equity capital. More than half of all institutions increased their leverage capital ratios during the quarter, while still more increased their total risk-based capital ratios. Banks paid $13 billion in dividends in the second quarter – twice what they paid the year before.
- Assets declined for the fifth time in the past six quarters. All major loan categories had reduced balances during the quarter, led by real estate C&D loans, which fell by $35 billion. Banks continued to reduce holdings of riskier assets, as the ratio of risk-weighted assets to total assets fell to its lowest level since 1995.
- No new charters were added during the quarter for the first time in almost four decades. More than 100 banks did not report financial results in the second quarter, having either failed or been consolidated. The number of institutions on the FDIC's "Problem List" increased from 775 to 829 during the quarter. Total assets of "problem" institutions fell, from $431 billion to $403 billion.

To view the entire report, go to the FDIC's website at www.fdic.gov. ■

Send banking and finance news to rrobertson@bizpress.net

Business
Alcon

Longtime Alcon official to step down June 30

11 June 2002

By BOB COX
STAR-TELEGRAM STAFF WRITER

MEDICAL Longtime Alcon and Nestle executive Jacqualyn Fouse is replacing Charles Miller as Alcon's chief financial officer.


MILLER


FOUSE

Two months after steering Alcon Laboratories through an initial public stock offering, Charles Miller, senior vice president and chief financial officer, plans to retire.

Alcon announced Monday that Miller, 56, a 22-year veteran of the company, will step down effective June 30.

Jacqualyn Fouse will replace Miller. She spent 15 years with Alcon and its parent, Nestle, before joining Swissair as CFO last June.

Alcon spokeswoman Mary Dulle said Miller only recently decided to retire to spend more time with his family and manage real estate investments in Florida.

"He wants to spend the majority of his time there," Dulle said.

Miller has been Alcon's CFO since 1997. Before that, he held a number of positions in finance, including corporate treasurer and vice president/controller of the international division.

"Charles has had a tremendous career with Alcon," Alcon Chief Executive Tim Sear said in a prepared statement. "I am grateful for his contributions to our recent public offering, and while I am sorry to see him leave now, I understand and respect his decision."

Fouse joined Alcon in 1986 and served in a variety of financial positions. In 1993, she moved to Switzerland as assistant controller of Nestle's pharmaceuticals and cosmetics business and oversaw financial arrangements between the parent company and its subsidiary. She was later promoted to deputy treasurer and group treasurer of Nestle.

Fouse left Nestle last June to take over as CFO of Swissair, which collapsed in October.

Alcon, which has its U.S. headquarters in Fort Worth, sold 25 percent of its stock in an initial public offering in mid-April. Nestle owns the other 75 percent.

The company's marketing, research and development, and manufacturing operations in Fort Worth employ 2,600.

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Macular degeneration drug trials prove disappointing

By ANDREW POLLACK
THE NEW YORK TIMES

MEDICINE Desperate for a cure, many patients in Phase III trials of Macugen and Lucentis reap little benefit.

ANAHEIM, Calif. — An experimental drug can slow vision loss caused by one form of an eye disease that is the leading cause of blindness among the elderly, accounting for more than 2 million cases annually, researchers have found.

But in a large trial, the drug did not meaningfully improve vision, they said, which contradicts earlier results that had sent patients flocking to doctors for a cure.

The drug, Macugen, is intended to treat the wet form of age-related macular degeneration, which is characterized by the growth and bleeding of abnormal blood vessels across the macular area of the eye, robbing people of the ability to read, to drive and to watch television. More than 200,000 cases are diagnosed each year in the United States.

There is only one drug on the market for macular degeneration, and it is approved for the treatment of one subtype representing a minority of cases. Macugen, developed by Eyetech Pharmaceuticals of New York, appeared to work for more types in a large clinical trial, said Dr. Carmen A. Puliafito.

"There's a large number of patients for which there really is no approved treatment," said Puliafito, chairman of the Bascom Palmer Eye Institute at the University of Miami. "It really means that Macugen might be the first treatment with the potential to help all" patients with the wet form of macular degeneration.

But some doctors and patients had hoped for even better results. In early, smaller trials, Macugen and a similar drug being developed by Genentech — Lucentis — not only slowed vision loss but also improved it for about 26 percent of participants.

But in the larger trial, only 6 percent of those getting Macugen had significant improvements, compared with 2 percent in a control group.

Experts said it was not unusual for results in a large trial with a control group to be worse than those in a small, uncontrolled trial.

The new results are from a Phase III trial, typically the last stage before a company can seek approval from the U.S. Food and Drug Administration. Eyetech and its marketing partner, Pfizer, are expected to apply in the first half of next year for approval, meaning the drug could reach the market by 2005.

Fort Worth-based Alcon is planning to start clinical studies of Retaane Depot, a possible treatment for the dry form of the disease, which isn't as severe but can progress to the more damaging wet form. The FDA has given Retaane Depot "fast-track" status because the treatment would meet a significant unmet medical need, and Phase III trials are slated for January.

Staff writer Maria M. Perotin contributed to this report.

Alcon

cause of blindness

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

Her job.
Her car.
The morning newspaper.

One by one, Jean Russell has abandoned them all, as a chronic disease slowly has robbed her eyesight and much of her independence.

The 73-year-old Richland Hills woman has age-related macular degeneration — a condition that leaves her peripheral vision intact but blurs whatever is right in front of her.

The disease is the leading cause of blindness among older Americans, afflicting more than 13 million people. Yet so few treatments exist that one doctor gave Russell the most dispiriting prognosis: "You're just going to have to learn to live with this."

"There was nothing they could offer me," Russell remembers. "Just nothing."

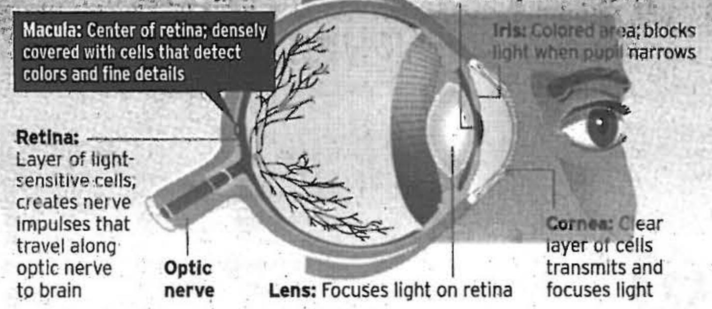
More on MACULAR DEGENERATION on 11E

Macular degeneration

Macular degeneration, the leading cause of blindness among people over 65, results when light-sensing cells of the eye's macula malfunction or stop working.

Symptoms

- Blurry or fuzzy vision
- Dark or empty area in center of visual field
- Straight lines, such as printed type, telephone poles and sides of buildings, appear wavy



KNIGHT RIDDER

17 Oct 2004

TREATMENT OPTIONS

Here is a sampling of potential treatments for age-related macular degeneration or AMD:

VISUDYNE	RETAANE	LUCENTIS	MACUGEN	POSURDEX	PHOTREX
Description: The only approved drug for the disease, available to patients with a certain form of wet AMD. Uses a light-activated compound, combined with a laser.	**Description:** Delivered every six months to the back of the eye, using a curved, blunt-tipped tube that doesn't puncture the eyeball.	**Description:** Injected into the eye monthly.	**Description:** Injected into the eye every six weeks to treat all types of wet AMD.	**Description:** Biodegradable implant that releases medicine into the eye.	**Description:** Drug-and-light procedure.
Status: On the market.	**Status:** If the treatment wins U.S. Food and Drug Administration approval, it could be available in mid-2005.	**Status:** In clinical trials. Availability date unknown.	**Status:** If the treatment wins approval from the FDA, it would be available by early 2005.	**Status:** Currently in clinical trials; expected to become available in 2007 or 2008.	**Status:** Last month got a request from the FDA for another clinical trial.
Developer: Novartis Ophthalmics.	**Developer:** Alcon.	**Developer:** Genentech.	**Developer:** Eyetech Pharmaceuticals in collaboration with Pfizer.	**Developer:** Oculex Pharmaceuticals, which was acquired last year by Allergan.	**Developer:** Miravant Medical Technologies.

CONTINUED FROM 1F

Eight years after Russell's disease was diagnosed, a handful of drug companies — including Fort Worth-based eye-care giant Alcon — are trying to change that.

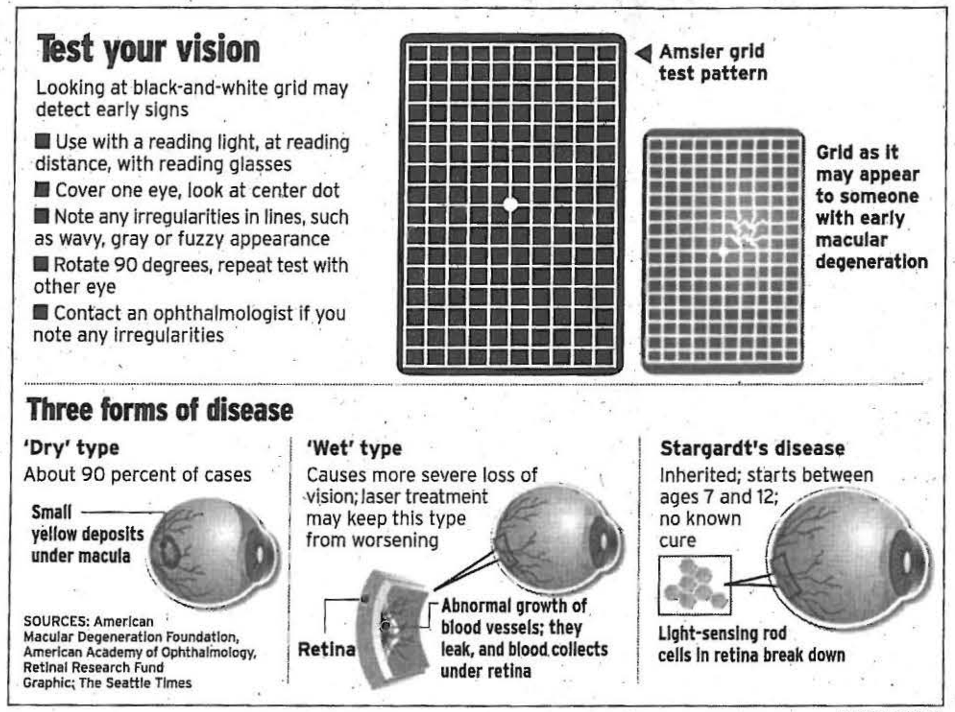
Their researchers are racing to produce new therapies that would treat the most severe form of macular degeneration. Although none would cure the disease or restore vision, medicines could be introduced as soon as next year that aim to stem its progress.

If they succeed, the treatments would open an enormous untapped market — estimated at upwards of $1 billion annually — for ophthalmic companies. And they would create new hope for patients who now must resign themselves to the gradual onset of blindness.

"There's a huge unmet medical need," said Dawn Kalmar, a spokeswoman for biotechnology firm Genentech, which is developing one of the drugs. "It just so happens that all of these treatments are converging at the same time. And it'll take some time to see which one is going to be most beneficial."

For Alcon, Retaane is expected to become a significant growth driver, although the company has numerous products in its pipeline.

Only two treatments — laser therapy and a drug-and-light combination — exist for age-related macular degeneration, or AMD. They target the wet form of the disease that causes the most vision loss, but their effectiveness is limited and available only to certain patients.



KNIGHT RIDDER

There are no remedies for the far more common, but less severe, dry form of AMD.

Drugs await approval

New York-based Eyetech Pharmaceuticals and Pfizer are expected to push the first new drug out of the development pipeline early next year. Their treatment, called Macugen, would be injected into a patient's eye about nine times a year if it wins approval from the Food and Drug Administration.

Alcon hoped to be next to market in 2005, with Retaane — a drug that's placed on the back of the eye every six months without actually puncturing the eyeball. But last week, the company revealed disappointing results from a clinical trial that could affect the FDA's willingness to approve Retaane quickly.

Doug MacHatton, Alcon's vice president of investor relations, said the company hopes the drug's cumulative results, especially regarding its safety, will appeal to regulators.

"This drug has proved to be very safe, a very patient-friendly application — in terms of frequency, especially," he said.

Chip Goehring, president of the American Macular Degeneration Foundation, said those are encouraging steps.

"If these new drugs are approved and genuinely do what they're talking about, it will be great news," Goehring said. "Ultimately, of course, we'd love to find out how to stop it from happening to begin with."

Mary Schimmoller, program director at the Fort Worth office of Prevent Blindness America, said AMD sufferers routinely pepper her with questions about potential treatments. But with so few remedies to offer, she usually turns their attention instead to learning about visual aids, such as large-print books, magnifying glasses, large-screen computers and special lamps.

"It's a really devastating disease, because it strikes later in life," she said. "It's difficult to adjust. They can't drive anymore most of the time after they have it. Often, they can't read anymore or sew or do the things they'd looked forward to in retirement."

For Russell, who is legally blind with the wet form of AMD, the disease has steadily forced her to change everyday routines.

She is still able to participate in line dances with friends, attend theater performances, send e-mails and listen to audio books. But driving became too dangerous years ago, and even pouring liquid out of a bottle now is an arduous chore.

"Loss of independence is such a big thing," Russell said. "To be here with my house and my cat, and not be able to go out to the store when I want to, it's tough."

Other treatments

Goehring said AMD patients have long been frustrated by modern medicine's inability to help them. But as the huge generation of baby boomers ages and the disease becomes more prevalent even among younger patients, it has drawn more interest from researchers.

"Things that kill us get more attention than things that just make our life miserable," Goehring said. "For so long, it was looked at as a normal function of growing old."

For now, the only medicine approved for wet AMD remains Visudyne — a drug from Switzerland-based Novartis Ophthalmics that combines a light-activated compound with a laser.

The data released last week by Alcon compared its drug with Visudyne and found that Retaane didn't perform as well as Novartis' therapy.

Still, as new treatments become available, they'll threaten Visudyne's market dominance.

Dr. Flemming Ornskov, president of Novartis Ophthalmics, said the company is ready for the competition.

It's studying additional uses for Visudyne, and Novartis will gain another foothold with the right to market Genentech's Lucentis outside North America.

"When there is additional treatment on the market, it provides — both for the physician and for the patient — a choice. I think that's really important," Ornskov said. "There's no single treatment that has proven to cure AMD, neither Visudyne or any of those new products."

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17 Oct 2004

Foundation honors Alcon for cornea work

Before doctors used **Alcon Labs' LADARVision 4000** system to improve patients' eyesight, astronauts relied on the technology to dock spacecraft in outer space. Similar technology, anyway.

That's why the **Space Foundation** has inducted Fort Worth-based Alcon's equipment into its **Hall of Fame,** which recognizes commercial applications of space technology.

The equipment joins almost 50 other products that have been selected since 1988.

They include liquid-cooled garments developed to protect Apollo astronauts on the moon from the high temperatures of the unfiltered sun. The garments have since been worn by race car drivers, firefighters who handle hazardous materials, and employees at nuclear reactors.

Black and Decker made the list, too, for its role in devising a power drill capable of digging into the moon's soil. The company later built on the technology to create its lines of cordless tools.

Alcon's LADARVision system, which is used in LASIK procedures, employs a laser and eye-tracking device to reshape the cornea. The technology was developed to help NASA spacecraft dock with satellites during service calls.

25 Oct 2004

Got a tip? CONTACT:

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Bus.
Alcon

MADE IN TARRANT

Travatan, a glaucoma medication

Producer: Alcon Laboratories, 6201 South Freeway, Fort Worth

How it's made: Alcon first tests the active ingredients for quality. Then it extensively purifies water from the city's water system until it is sterile. The water is mixed with the chemical ingredients in large vats, and then piped into a sterile manufacturing line, where it is pumped into plastic bottles and sealed.

What's in it: Travoprost 0.004% is the active ingredient in Travatan. Benzalkonium chloride 0.015% is added as a preservative. Inactive ingredients include buffers and sodium chloride and/or hydrochloric acid to adjust pH. It's all mixed with purified water.

How long does it take: It takes only a short time to mix and bottle the solution, but all shipments are held in quarantine for two weeks while the final quality tests are done.

Where it's sold: Almost any place that fills prescriptions, including pharmacies and hospitals, would carry Travatan.

How much it costs: The list price of Travatan is $41.60. By the time it gets to the pharmacy, the price can vary significantly but is generally in the $50 to $55 range.

– Trebor Banstetter

9 Sept 2002
FWS-T.

Bremer
Alcon

EYE CARE

11 May 2005

+Medicare change likely to help Alcon

■ A Fort Worth maker of eye-care products stands to gain from a change to Medicare's rules for covering cataract patients' treatment.

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

The federal Medicare program agreed Tuesday to cover part of the cost of specialized lenses that could eliminate cataract patients' need for glasses after surgery — giving a boost to Fort Worth-based Alcon's latest-generation lens.

The decision means that Medicare beneficiaries can now choose the more expensive lens, as long as they pay the extra cost themselves.

It's a welcome change for Alcon, which introduced its new lens last month and is hoping to build a sizable market for it.

In the wake of the Centers for Medicare & Medicaid Services' announcement, the eye-care company's stock (ticker: **ACL**) jumped $4.13 to close at $99.70 Tuesday.

The newest lens in Alcon's AcrySof line, which won approval from the U.S. Food and Drug Administration in March, uses technology that aims to eliminate a patient's need for glasses after cataract surgery.

"We applaud CMS for its decision to allow Medicare patients access to new technologies, which provide a high level of spectacle freedom, like the recently approved AcrySof ReSTOR IOL," Alcon Chief Executive Cary Rayment said in a written statement. "Physicians and patients now have the freedom to select technology to treat cataracts consistent with the patient's lifestyle needs."

Previously, the government paid most of the price of treatment, including surgery, insertion of a traditional intraocular lens, and one pair of eyeglasses or contact lenses for those with cataracts. But doctors weren't allowed to exceed Medicare's established price for the procedure, or to ask patients to make up the difference for the no-glasses-later lens.

"If you wanted the extra thing, you couldn't pay for it," Medicare spokesman Don McLeod said. "You couldn't even pay the difference."

Patients who opt for the new lens would have to pay about $745 to cover the additional expense, said Doug MacHatton, Alcon's vice president of investor relations.

Alcon, which began shipping the new lens to U.S. surgeons this month, could see big gains from the new rule because the bulk of cataract patients are Medicare beneficiaries, MacHatton said.

"We had projected $35 to $45 million in sales in total globally from this lens, assuming that we would only be targeting the non-Medicare population," he said. "We were only targeting 10 to 20 percent of the cataract market."

Alcon's global sales of intraocular lenses topped $580 million in 2004, with its family of AcrySof lenses ranking as the most frequently implanted in the world.

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EYE-CARE COMPANY

Medicare decision could boost Alcon

24 JAN 2007

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

Medicare beneficiaries who suffer from cataracts and astigmatism now have another treatment option.

The federal program agreed this week to cover part of the cost of specialized lenses that treat patients for cataracts as well as astigmatism — a common condition in which the eye's normally curved cornea is shaped more like an oval.

The decision represents a potential boost to Fort Worth-based Alcon, whose AcrySof Toric intraocular lens is designed to replace cataract patients' clouded natural lens and to reduce or eliminate astigmatism.

The eye-care company expects its implantable lens to be included in a coming list from the Centers for Medicare & Medicaid Services, which will specify which products are covered by this week's decision.

"We are very pleased that CMS issued this ruling and look forward to providing the benefits of this technology to Medicare beneficiaries," Bill Barton, Alcon's area president for U.S. and global marketing, said in a written statement.

Under the old rules, the government paid most of the price of cataract treatment — including surgery, insertion of a traditional intraocular lens, and one pair of eyeglasses or contact lenses. Doctors weren't allowed to exceed Medicare's set price for the procedure or to ask patients to make up the difference.

In May 2005, the agency broadened its rules to allow patients to pay for a type of lens designed to eliminate cataract sufferers' need for glasses after surgery. That enabled doctors to offer another lens from Alcon's AcrySof line to Medicare recipients. This week's decision should have a similar effect on its Toric lens.

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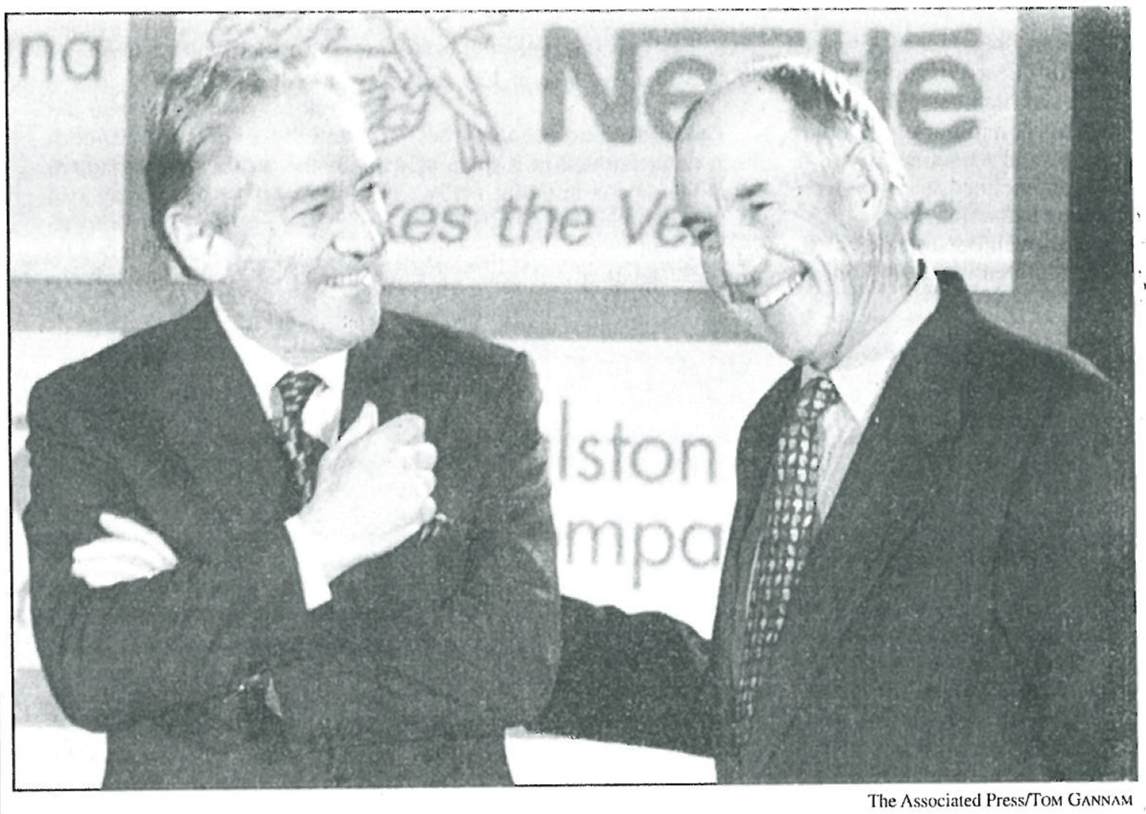
Businesses
Alcon
(owned by Nestlé)



The Associated Press/Tom Gannam

Nestle chairman Rainer Gut shares a laugh with Ralston Purina chairman William Stiritz Tuesday in St. Louis.

Nestle may boost clout in pet food

Jan 17 2001

By David Scott
The Associated Press

ST. LOUIS — Nestle's $10 billion purchase of Ralston Purina Co. would create a pet food empire that would dominate both the cat and dog food markets with popular brands such as Alpo, Purina, Friskies and Meow Mix.

"We were interested in continuing to grow our business," said Peter Brabeck-Letmathe, Nestle's CEO.

"We were strong in our wet [food] business, the cat business. We looked at the market and saw there was a higher growth in the dry business."

That includes premium food and treats, the segment of the industry growing fastest and Ralston's strength, said John McMillin, an analyst at Prudential Securities in New York.

Alcon Laboratories, which employs about 2,600 people in south Fort Worth, is a Nestle unit. Alcon makes eye drugs and other eye-care products.

Nestle also operates a 520,000-square-foot distribution center at the

(More on NESTLE on Page 4C)

Nestle

Jan 17 2001

From Page 1C

Alliance industrial park that employs about 85 people.

Purina Mills, which owns and operates a feed mill near downtown Fort Worth, is not part of Ralston-Purina and will not be affected.

Nestle, based in Switzerland, holds a 32 percent share of the U.S. cat food market, and St. Louis-based Ralston has a 26 percent share.

It's the same situation across the aisle in dog food, where Nestle is adding Ralston's 28 percent share of the dog food market to the 10 percent it already has.

"It seems like a brilliant acquisition," said Jack A. Nickerson, a business professor at Washington University in St. Louis. "Instead of running two different operations, they can simply do one."

Shares of Ralston were up $6.88, or 27 percent, to close at $31.50 on the New York Stock Exchange.

Brabeck-Letmathe said he expects that the sale, which requires shareholder and regulatory approval, will close no later than the end of the year.

The Nestle-Ralston combination, especially in the cat food business, could concern federal regulators, which might force it to sell off some smaller brands, analysts said.

But Nickerson said that if Ralston and Nestle can narrowly define the pet food market, regulators are likely to approve the deal.

For example, he said, they could argue that there are separate markets for wet and dry dog and cat foods and that the companies' share of any one segment will not change.

"The best thing for them to do is put forth the narrowest market definition that would be acceptable," Nickerson said.

Brabeck-Letmathe said he expects the deal to enhance competition in the North American pet food market.

"I think the one who is going to win is the consumer, because he will have increased choice, more innovation and even more quality products on the market," Brabeck-Letmathe said.

Nestle will retain a presence in St. Louis, merging its Friskies pet food business in the U.S. with Ralston to form Nestle Purina Pet Care, the merged companies' North American operation. Ralston President Patrick McGinnis will head the unit.

Ralston markets dry pet food under a number of different names, including Purina, Pro Plan and Meow Mix, and also makes cat and dog litter.

Nestle, the world's largest food company, makes products as diverse as candy bars, Perrier spring water and Nescafe instant coffee.

Nestle has enlarged its pet food business through acquisitions. It purchased Carnation, which owned Friskies, in 1985, and Alpo in 1994. It picked up one-fifth of Europe's pet food market in 1998, when it paid more than $1 billion for Britain's Spillers Pet Food, a subsidiary of Dalgety.

Nestle to sell stock in Alcon

IPO Alcon Laboratories would be priced between $31 and $35 a share and is expected to begin trading on the New York Stock Exchange in late March.

FROM STAFF AND WIRE REPORTS

Nestle filed to sell as much as $2.4 billion of stock in its Fort Worth-based Alcon Laboratories eye-care unit Friday in what may be the first multibillion-dollar initial public offering in the United States this year.

Alcon will seek to sell a 23 percent stake to investors and transfer the proceeds to its Swiss parent through the redemption of preferred stock, according to documents filed with the Securities and Exchange Commission.

Nestle said it expects to complete the sale in the first quarter. Alcon is seeking to have its shares trade on the New York

More on IPO on 8C

IPO

Continued from 1C

Stock Exchange under the symbol ACL.

The company announced plans for the spinoff in October, and analysts had predicted that Nestle would sell up to 25 percent.

Nestle, based in Vevey, Switzerland, is best-known for its food products, which include Nescafe coffee and Kit-Kat chocolate bars. Alcon is considered by analysts to be Nestle's fastest-growing and most-profitable unit.

With products including surgical equipment, pharmaceuticals and disinfecting solutions for contact lenses, Alcon had sales of $2.75 billion last year, up from $2.55 billion in 2000.

Earnings before income taxes declined to $316 million last year from $332 million the year before, according to Friday's SEC filing.

Alcon would become one of Tarrant County's largest publicly owned companies. It has 11,000 employees worldwide, including 2,600 in Fort Worth. Its 2001 revenue, for example, would surpass the $2.1 billion posted by Sabre Holdings.

The underwriters for Alcon's IPO, led by Credit Suisse First Boston and Merrill Lynch, plan to market 69.75 million Alcon shares at $31 to $35 each. They have set March 20 as the date to announce a firm price for the offering.

Alcon will have 300 million shares outstanding after the stock sale, including 69.75 million held by the public and 230.25 million owned by Nestle.

Based on a target price of $35 a share, Alcon would have an initial market value of about $10.5 billion.

The market for IPOs is off to a slow start in 2002, with nine first-time stock sales; eleven had been held by this time a year ago.

Alcon could be a test for other large companies that have announced plans to sell stock in subsidiaries.

Citigroup, for example, has filed to sell up to $5 billion of stock in its Travelers property casualty business. Merck & Co. has announced plans to issue stock in Medco, a subsidiary that acts as a middleman between drug makers and health insurers.

Alcon said it intends to use net proceeds from the IPO to redeem shares of nonvoting preferred stock of Alcon owned by Nestle.

Staff writer Scott Nishimura contributed to this report, which contains material from Bloomberg News.

23 Feb 2002

Business
Alcon

Nestle

VEVEY, Switzerland — Nestle, the world's biggest food group, said Thursday that its net profit rose 15.9 percent in 2001 on a 4 percent rise in sales. Nestle owns Fort Worth-based Alcon Laboratories, which develops and manufactures eye care products. Last week, Nestle announced that it plans to spin off 23 percent of Alcon's stock in an initial public offering, a move that should raise up to $2.4 billion.

1 March

Compiled from staff and wire reports

1 March 2002

Business
Alcon
Rayment

LEADERSHIP | ALCON

New CEO sees 'room to grow'

27 Sept 2004

■ Cary Rayment, who spent much of his career in marketing, wants to build on Alcon's recent sales successes.

By MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

Back when Alcon Laboratories was a little-known Fort Worth eye-care company, its executive suite was reserved for homegrown leaders steeped in its corporate culture.

Only three men climbed the ranks to the chief executive's post over six decades, as the company swelled into a global giant with a stable of products and more than $3 billion in annual sales.

Later this week, that tradition will persist with Friday's ascent of Cary Rayment to president and chief executive.

Rayment, a 15-year Alcon veteran, has held a variety of positions and now serves as senior vice president overseeing U.S. operations. In company parlance, that experience was enough for him to become thoroughly "Alconized."

Rayment, who held several sales and marketing jobs across the country before joining Alcon, said he was initially drawn by the company's "family feel."

"It's very open and receptive to new ideas," Rayment said. "We try to make people very comfortable here."

Rayment said he wants to build on Alcon's history — especially the recent sales success of its prescription drugs and surgical equipment. He hopes to expand significantly in overseas markets, such as Russia, India and China, places where he believes that Alcon's established presence gives it an advantage over competitors.

"We have plenty of room to grow," he said. "We're not just a pharmaceutical company. We're not just a surgical company. We're global, and we're diverse."

Rayment, 57, will take the helm from Tim Sear, who has led Alcon since 1997

More on ALCON on 7C

STAR-TELEGRAM/RALPH LAUER

Cary Rayment, who held several sales and marketing jobs across the country before joining Alcon, said he was initially drawn by the company's "family feel."

27 Sept 2004

Alcon: New CEO sees room for company to grow

CONTINUED FROM 1C

and endorsed Rayment over outside candidates as his successor. He'll run one of Tarrant County's largest public companies, with almost 12,000 employees and operations on six continents.

Getting familiar

Peter Bye, an analyst who follows ophthalmology products for Smith Barney, said he expects Rayment to be a charismatic, aggressive leader.

"Cary's a sales and marketing guy, and Alcon's a sales and marketing company," Bye said. "That's what they do best."

For Rayment, a Washington native, the promotion culminates a career that has criss-crossed the United States and included sales, marketing and management stints at various health-related companies.

Rayment, who joined the Army after graduating from college in 1969 and later earned an MBA, moved frequently to take advantage of early job opportunities. He credits his wife, Janet, for relocating repeatedly in support of his goals.

"When we started out, she was making more money than I was," Rayment said. "She always sacrificed her career."

The couple moved from the West Coast to spend several years in Boston and New York before returning in 1981 to the Seattle area to raise their young daughter near family.

"I wanted my daughter to know my parents," Rayment said.

Once there, Rayment became a season ticket-holder for University of Washington football, and the 45-yard-line seats are one of Rayment's most prized possessions. He continues to buy the tickets, although he has time to fly to only a few Huskies games each year.

Bob Stevens, a fellow Husky who has worked with Rayment for 22 years, said the executive's colleagues learn quickly about his favorite sports teams, as well as his enthusiasm for playing golf.

Stevens praised Rayment's sense of humor and inclusive management style, noting that employees find him casual and approachable. Nonetheless, he said, many have had to learn an important personal lesson as well: Don't let a tedious meeting agenda stand between Rayment and his lunch.

"He's got one of these clocks that when it's time to eat, it's time to eat," said Stevens, who is Alcon's vice president of research and development for surgical products. "He might ask how much longer the meeting's going, because he's getting hungry. Twenty years ago, he would've just gotten up. Now, there's a little more professionalism to the process, but the message is the same."

At Alcon, Rayment has overseen the surgical products division, the managed care team and international marketing efforts. And he was a proponent of the company's move to go public in March 2002, when its parent, the Swiss food company Nestlé, spun off about 25 percent of its shares.

"I really believe the organization here was ready for that," Rayment said. "I think it's been beneficial. It only energized everyone even more."

Poised for growth

Alcon has since posted brisk sales of its ophthalmic surgery equipment, pharmaceuticals and consumer eye-care products, including several that were introduced in recent years.

The company's profit soared to $299.2 million in this year's second quarter, up 68 percent over the same period in 2003. And its stock (ticker: **ACL**), which began trading at $33 a share, climbed as high as $87 this summer and was trading last week around $79 a share.

Bye said the induction of Rayment as chief executive, combined with Alcon's strong financial position, may prompt the company to invest more in new products, through in-house innovations as well as potential acquisitions.

"I believe they might be a little bit more proactive on the business development front," he said.

The company is anticipating the launch this year of a new intraocular lens and the introduction in 2005 of a treatment for the most severe form of age-related macular degeneration.

Alcon expects that drug to drive much of its growth in the future, but Rayment said the company will continue to draw on its wide array of products.

"Alcon is not as dependent on any one product as some companies might be," he said. "I want us to continue to expand and develop these markets around the world."

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IN THE KNOW

Cary Rayment

Rayment will become chief executive of Alcon on Oct. 1.

Age: 57

Current position: Senior vice president, Alcon United States

Experience: Began his career in 1974 with the Kendall Co., where he held a variety of sales and marketing posts. Joined Alcon in 1989, after the company's acquisition of CooperVision Surgical. Assumed his current position in 2001.

Education: Bachelor of science in education from the University of Washington; MBA from the University of Kansas; graduate of the Harvard Program for Management Development.

Community involvement: Member of the board of directors of United Way of Metropolitan Tarrant County. Serves on the Library Foundation Board of Colleyville.

Family: Lives in Colleyville with wife Janet. They have one adult daughter, Kelly.

Business
Alcon

New drug lifts Alcon's profits

1 Aug 2002

By TREBOR BANSTETTER
STAR-TELEGRAM STAFF WRITER

HEALTH CARE Reaping the rewards of its popular new drug to treat glaucoma, Fort Worth-based Alcon records a 58 percent earnings increase for the quarter.

FORT WORTH — Fueled by strong sales of its new glaucoma drug, eye-care giant Alcon saw its profit leap 58 percent during the second quarter.

The earnings report was the second to be posted by the company, which had its initial public offering in March. Alcon executives said sales grew 9 percent to $809 million during the quarter, compared with $746 million last year.

Profit jumped to $163 million for the quarter, compared with $103 million last year. The profit, which was 53 cents per share, exceeded Wall Street's expectations of about 43 cents per share.

Alcon Chief Executive Tim Sear didn't dabble with

More on HEALTH on 8C

HEALTH

Continued from 1C

modesty when announcing the results.

"Alcon had a truly outstanding second quarter," he told analysts in a conference call Wednesday.

Alcon, the world's largest eye-care company, develops and manufactures optical surgery equipment, prescription eye-care drugs and contact lens solutions. About 75 percent of the Fort Worth-based company's stock is owned by Nestle S.A. of Vevey, Switzerland.

The company benefited from a surge in sales of Travatan, a new drug that treats glaucoma. The company introduced the medicine last year. Sales of its glaucoma drugs rose 33 percent during the quarter.

Sear predicted that Alcon's total sales will hit $3 billion for 2002 and that revenue growth next year will be in the high single digits, with profit growth "in the high teens."

One potential headache for the company is its high debt. Alcon has about $1.4 billion in debt on its balance sheet, with $148 million in cash and short-term investments. Its ratio of debt to capital is 66 percent.

The company had a major reduction in cash after it paid $2.2 billion to Nestle to redeem its shares in the initial public offering.

Jacqualyn Fouse, Alcon's new chief financial officer, said the company is working to reduce the debt and expects it to be down to $1.2 billion by year's end.

As they announced their positive earnings report, Alcon executives also said the company is free of the accounting trickery related to the wave of corporate scandals that has been rocking Wall Street.

Fouse said she conducted an in-depth review of Alcon's accounting practices when she joined the company this summer.

"I've reviewed our financial reports and systems, and I'm confident that the statements fairly reflect the condition of our company," she said.

She added that although it is not currently required, Alcon executives would personally sign off on the corporation's financials if requested by the Securities and Exchange Commission.

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STAKEHOLDER

Ben
Alcon

No changes in view for Alcon, future owner says

Alcon chief Cary Rayment meets with Daniel Vasella, head of Novartis AG, at the Alcon executive offices Thursday. STAR-TELEGRAM/RODGER MALLISON

The head of Novartis, a Swiss pharmaceutical company with plans to buy a majority stake in Alcon, visits the eye-care firm for the first time.

By SANDRA BAKER 10 Oct 2008
sabaker@star-telegram.com

FORT WORTH — Alcon will lose neither its name nor its commitment to arts and the community as it moves to new ownership.

Daniel Vasella, chairman and chief executive of Novartis AG, the Swiss-based drug company that is in the process of buying a majority stake in Fort Worth-based Alcon, said the company will continue its local support under the same banner.

"That would be crazy," Vasella said during a visit to Alcon's headquarters Thursday. "Alcon has an absolute, impeccable reputation in the field."

In April, Novartis, Switzerland's second-largest drug company, bought a 25 percent stake in Alcon from food giant Nestlé SA, the first step of a transaction that could give the company the majority stake by July 2011. Novartis can begin exercising its option in January 2010 to buy Nestlé's remaining 52 percent stake of the eye-care company.

Vasella is on business trip to the Mayo Clinic in Rochester, Minn., but scheduled a day to visit Fort Worth.

This is the first time he's visited the company's headquarters. He met with senior managers, ate lunch with a group of midlevel managers, and toured the research and development departments as a way to begin introducing Novartis.

He said he is impressed with what he sees at Alcon.

About Alcon

- The eye-care company makes consumer products, pharmaceuticals and surgical equipment.
- It has about 3,500 employees in Fort Worth and about 14,500 worldwide.
- Sales in 2007 were $5.6 billion.

"Can you imagine, we buy a stake in a company, 25 percent, and then in the second step a majority, and I never saw it?" Vasella said. "It's a beautiful campus. But what comes most is the people, not the real estate. I tend to believe that the way things are kept do reflect on how the company is being run, and this place is being kept in an impeccable way."

He said one senior manager asked him whether Novartis will have enough

More on ALCON on 5C

10 Oct

Alcon: Commitments are not expected to change

CONTINUED FROM 1C

money to complete the sale. Novartis paid about $10.4 billion for the 25 percent stake, and the remaining shares are to cost no more than $28 billion.

"I'm pretty comfortable things will be sorted out by then," Vasella said.

Vasella said it is too early to talk about any possible changes if Novartis takes the majority position.

Cary Rayment, Alcon's chief executive, said Vasella was effective in communicating to the employees Novartis' commitment to patients and treating diseases, and its humanitarian efforts in developing countries.

"It's very consistent with the role that Alcon has taken over its history in terms of providing education and funding of humanitarian efforts," Rayment said. "I fully expect that to continue as we go forward."

SANDRA BAKER, 817-390-7727

Alcon

IN MY OPINION

Novartis deal on Alcon stock shortchanges shareholders

13 JAN 2010

It plans to pay shareholders 15% less than Nestle's price.

MITCHELL SCHNURMAN
schnurman@star-telegram.com

Minority rights are a hallmark of free markets as well as free societies. So when a company tramples on that principle, look out.

And if the offender happens to be your new boss, brace for culture shock.

Last week, the Swiss drugmaker Novartis said it was buying control of Alcon, the Fort Worth company renowned for its eye-care products and friendly workplace. The deal was expected, because Novartis

More on SCHNURMAN on 2C

CONTINUED FROM 1C 13JAN

bought a big chunk of Alcon from Nestle in April 2008, with an option to buy the rest this year.

Novartis said it also plans to acquire Alcon's outstanding stock, the 23 percent not owned by Nestle and traded on the New York Stock Exchange. The shocker was that Novartis wants to pay 15 percent less for those minority shares, and pay with Novartis stock only.

It's not a take-it-or-leave-it offer, either. Novartis plans to force the sale — what it calls a merger — and says it doesn't need approval from other Alcon shareholders, independent directors or the stock exchange.

In a conference call last week, analysts repeatedly asked how that could happen. Alcon and the NYSE have rules to protect minority shareholders from this exact situation.

Novartis' position: After it bags the Nestle shares, it will have a 77 percent stake, and that translates into overwhelming control. Under Swiss law, the company said, adding the minority shares is a merger, not a tender offer, and Novartis can vote to proceed.

After "we close the deal," General Counsel Thomas Werlen said, "then obviously we are in charge and then it's a different game."

This may be how the Swiss play hardball, but it's a bad idea. Three lawsuits have already been filed, and an Alcon committee of independent directors has hired a law firm and financial firm to evaluate options.

It's not exactly a friendly introduction to Alcon employees, either. They're minority shareholders in their own right, with stock options and shares in retirement accounts, so they have a vested interest in getting the market price.

More important, they're the most valuable asset at Alcon — at least that's what they've been told for years. When Alcon was an independent company and after Nestle bought it in 1978, management created a corporate culture that fostered loyalty and attracted scientists to its campus south of downtown Fort Worth.

Alcon pays well, nurtures talent and offers a retirement plan that effectively matches 12 percent of workers' pay if they contribute at least 5 percent. The average sales rep makes $100,000, and voluntary turnover is 3 percent.

Alcon has 3,287 employees in Fort Worth and has been manufacturing eye medicine here for five decades. For 11 years in a row, Alcon been named one of the nation's best places to work by *Fortune* magazine.

It's unimaginable that previous Alcon leaders would tell employees that they were getting less for their company shares, whatever the rationale. (More on Novartis' fuzzy math in a moment.)

The two-tiered treatment also fuels natural anxieties about management changes. In any takeover, employees fear job cuts and other "synergies," because they're part of the game.

Nestle was a food company, so it generally left Alcon alone. Novartis specializes in drugs and healthcare, and it plans to cut $300 million in annual costs by combining some Alcon operations with the mother ship.

In a presentation, Novartis outlined the savings: $135 million in general administration; $125 million in marketing and sales; $30 million in manufacturing; $10 million in research and development.

It also said that job cuts will be "implemented in a socially responsible manner."

The good news is that Alcon will head a division and add some elements from Novartis, rather than being absorbed elsewhere in the company. In an interview last week, a Novartis executive said the new owners would be good for Alcon in Fort Worth, because Novartis is focused on growth.

(Let's hope that's more credible than his claims about the buyout being a fair price.)

Novartis has an appetite for acquisitions, and its revenue grew 66 percent in five years, topping $41 billion in 2008. In a recent *New York Times* article, CEO Daniel Vasella crowed about the efforts to build a giant corporate campus in Switzerland. "I made them move the border crossing," he said, pointing to France, adding that he put 100 million Swiss francs on the table to make it happen.

If he can sell that extravagance in the name of architecture, maybe he figured he could sell Alcon shareholders on taking a discount. Novartis paid a premium to Nestle, he said, because those shares gave it a majority stake. The premium was set in April 2008, when Novartis bought 25 percent and got an option to buy the rest for $180 a share, beginning in 2010.

"Minority shareholders don't give us control," Vasella said last week. "That explains the difference."

If it were that simple, why not operate all takeovers that way? Following that logic, acquirers could buy 51 percent of a company and cram down their version of "a fair price" to everyone else.

Lawsuits are standard in almost all buyouts, because of disagreements over what's fair. Robert Schachter, a lawyer at Zwerling, Schachter and Zwerling in New York, says that buyers have to demonstrate how they reached a fair price if all shareholders don't accept the offer.

Novartis' method: It took Alcon's stock price in 2008, before it bid for the company, and added a 12 percent premium. That comes to $153 a share, or 2.8 shares of Novartis stock at the end of 2009. Alcon stock (ticker: ACL) closed at $153.46 Tuesday, down $1.59.

What about the market price? Alcon's stock slumped as the financial markets cratered and then recovered, and was trading at more than $164 before the deal was announced. What about the Nestle price? It's getting $180 a share in cash, what was set in 2008. And since when are shareholders *not* supposed to get a bigger bump after a bidder emerges?

The same week of the announcement, Novartis' stock price fell, and Alcon's minority shareholders were slated to get the equivalent of $147 a share. According to one lawsuit, that's $2.3 billion less than the Nestle price.

That's not a takeover, that's a takedown.

MITCHELL SCHNURMAN'S COLUMN APPEARS SUNDAYS AND WEDNESDAYS. 817-390-7821

9 June 2009

Novartis may not buy Nestle's Alcon stake

Novartis AG, which has an option to buy Nestle AS' stake in Fort Worth-based eye-care company Alcon Inc. for $28.2 billion, may seek to renegotiate the deal, said James Douglas, an analyst at Liberum Capital Ltd. Novartis can buy the 52 percent stake between January 2010 and July 2011 for $181 a share. But Chief Executive Daniel Vasella said in an interview last week that the company may pass up the opportunity. Alcon shares have slumped since Novartis struck the deal in April 2008, closing Monday at $111.39. — *Bloomberg News*

Business
Alcon

SWISS DRUGMAKER

Novartis plans to buy rest of Alcon

5 JAN 2000

The acquisition and merger represent a $38.5 billion transaction.

From staff and wire reports

Bidding to become a leading player in the global market for eye-care products, the Swiss drugmaker Novartis AG said Monday that it plans to buy the part of Fort Worth's Alcon Inc. that it doesn't already own for $38.5 billion.

The acquisition and merger would combine companies with complementary eye-care businesses, Novartis said.

Alcon is a worldwide leader in artificial lens implants; medicines for eye diseases, infections and allergies; and contact lens care products. Novartis' CIBA Vision is a leading contact lens maker, and the company sells various other medications that treat eye diseases "not addressed by Alcon's portfolio," Novartis said.

More on ALCON on 4C

Bauman
Alcon

9 July 2008

DRUGMAKER

Novartis purchases 25% stake in Alcon

Novartis agrees to buy 77 percent of the world's biggest eye-care company.

By ANGELA CULLEN
Bloomberg News

Novartis AG took a 25 percent stake in Alcon in the first step of a transaction aimed at giving Switzerland's second-largest drugmaker majority ownership in the Fort Worth-based eye-care company.

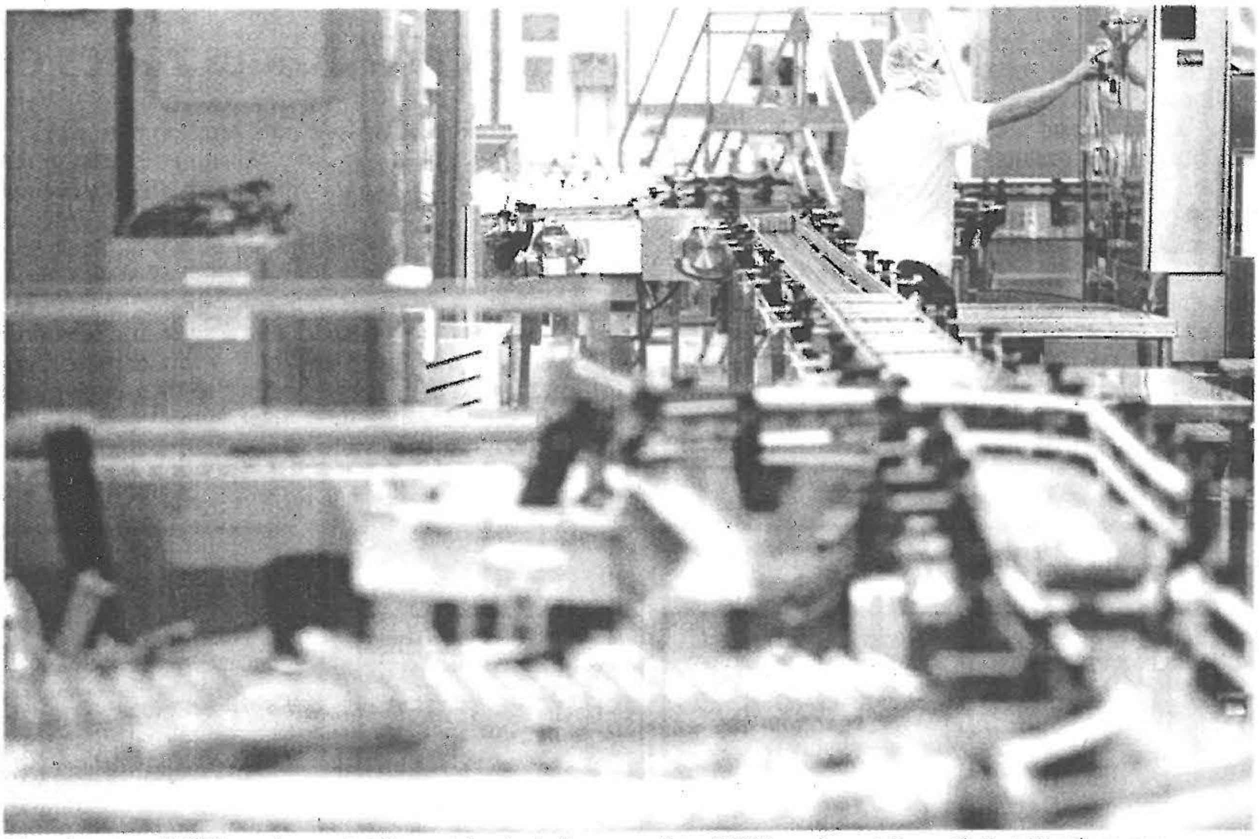
Novartis bought the stake Monday from Nestle SA, the world's largest food company, for about $10.4 billion in cash, $200 million less than the figure stated in April when the companies first announced the transaction, Novartis said in a statement Tuesday. The lower amount reflects a dividend paid to Nestle in May for shares of Alcon, the drugmaker said.

The maker of the Diovan heart pill agreed to buy 77 percent of the world's biggest eye-care company, gaining contact lenses and treatments for glaucoma. Novartis has rights to acquire and Nestle has an option to sell the remaining 52 percent stake between January 2010 and July 2011 for no more than $28 billion.

The acquisition is aimed at reducing Novartis' reliance on pharmaceuticals as new drugs face delays and as sales of the hypertension pill Lotrel and the Lamisil anti-fungal medication are hurt by cheaper versions.

Nestle said in a separate statement that it sold 74 million Alcon shares at $143.1783 a share. The proceeds of the transaction will be used to reduce debt as Nestle continues its share buyback.

Banner
Alcon



Alcon has over 15,500 employees in 75 countries, including more than 2,500 workers at its south Fort Worth campus.
Star-Telegram archives

Novartis' sweetened offer clears way for Alcon sale

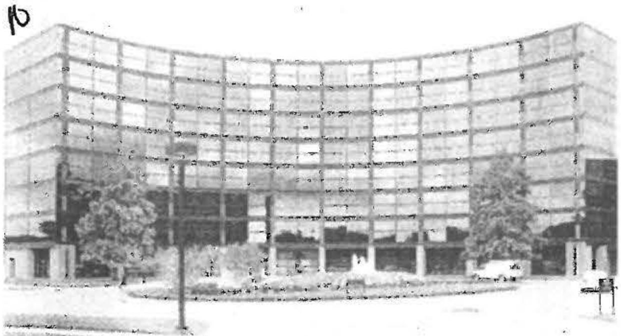
16 Dec 2010

▶ Minority shareholders held out for the same price Nestle received.

The Associated Press

GENEVA — Novartis AG said Wednesday that it had sweetened its offer and reached a deal with minority shareholders of Alcon to complete its $51 billion takeover of the Fort Worth eye-care company, the largest such deal in Swiss corporate history.

Novartis said the cost of acquiring the remaining 23 percent stake in Alcon will be $12.9 billion — over $1 billion more than it had originally offered.



Fort Worth-based Alcon marked its 50th anniversary last year.
Star-Telegram archives

Analysts at Zuercher Kantonalbank said the deal dispelled any uncertainty the market might feel toward Novartis and would help the company make the best use of Alcon's broad portfolio of eye-care medicines, contact lens solutions and ophthalmic surgical products.

Basel, Switzerland-based Novartis will pay Alcon minority shareholders the equivalent of $168 per share, an increase of 9 percent from its first offer of $154 per share. The payment will include 2.8 Novartis shares plus the difference in cash. If the 2.8 Novartis shares are worth more than $168, the company will reduce the number of shares it transfers.

Alcon minority shareholders, led by independent directors and including the company's work force, had rejected Novar-

More on ALCON, 3C

Alcon

Continued from 1C

16 Dec

tis' previous offers and threatened legal action, saying they would have been paid less per share than the eye-care company's main shareholder, Nestle SA.

The sweetened offer of $168 per share is equivalent to the average price Novartis paid Nestle for its 77 percent stake, which it earlier acquired in two stages starting in 2008.

Novartis said the combination of Alcon and its own eye-care division would produce annual cost savings of $300 million.

"With this step Novartis takes full ownership, becoming the global leader in eye care, a rapidly expanding, innovative platform based on the growing needs of an aging population," Novartis Chairman Daniel Vasella said in a statement.

The new eye-care division, which will be led by Alcon CEO Kevin Buehler, will incorporate Novartis' CIBA Vision and range of ophthalmic medicines. Novartis expects the merger to be completed April 1.

Novartis CEO Joseph Jimenez is looking to Alcon to help the Swiss company diversify away from pharmaceuticals, a model also pursued by Johnson & Johnson, which sells prescription drugs, medical devices and consumer products such as Tylenol.

Alcon makes contact lens solution and other products for eye care.
Star-Telegram archives

Alcon celebrated its 50th anniversary of manufacturing eye-care products last year. Founded in Fort Worth by pharmacists Robert Alexander and William Conner, it first went public in the early 1970s before being acquired by Nestle in 1978. In 2002, Alcon became a public company again when Nestle sold 25 percent of its shares to the public.

Alcon recorded annual sales of $6.5 billion and a net profit of $2 billion last year. It has over 15,500 employees in 75 countries, including more than 2,500 workers at its south Fort Worth campus, according to the company's website. A company spokesman could not be reached for comment Wednesday.

This report includes material from Bloomberg News and the Star-Telegram archives.

Business
Alcon

■ MADE IN TARRANT

Opti Free Express No-Rub Solution

14 May 2001

Producer: Alcon Laboratories, 6201 South Freeway, Fort Worth, (817) 293-0450

How it's made: Alcon first tests the active ingredients for quality. Then it extensively purifies water from the city's water system until it is completely sterile. The water is mixed with the chemical ingredients in large vats, and then piped into a sterile manufacturing line where it is pumped into plastic bottles and sealed.

How long it takes to make: It takes only a short time to mix and bottle the solution, but all shipments are held in quarantine for two weeks while the final quality tests are done.

What materials are used: Sterile water, citrate, tetronic 1304, AMP-95, polyquad, aldox, sodium chloride, boric acid, sorbitol and edetate disodium.

How much it costs: $8.99 for a 12-ounce bottle.

Where it's sold: Any retail store that sells over-the-counter drugs or health items. It is also sold at ophthalmologist offices.

— *Trebor Banstetter*

Business
Alcon Lab

Optic laser to be installed in city's Medical District

19 July 2001

BY TREBOR BANSTETTER
Star-Telegram Staff Writer

FORT WORTH — University of Texas Southwestern Medical Center is installing a state-of-the-art optic laser in Fort Worth that Tarrant County ophthalmologists can use for eye surgery and training.

The new facility, which will cost a little under $1 million, will be in the city's Medical District at 1001 12th Ave. Doctors can be trained by UT Southwestern faculty to use the laser for excimer keratorefractive surgery.

Ophthalmologists will also be able to lease the laser to perform surgery on their own patients.

"We felt there was a need in Tarrant County for access to this type of technology," said Dr. James McCulley, chairman of ophthalmology at UT Southwestern, which is based in Dallas.

The university runs a similar center in Dallas, which is used by about 50 doctors. That facility treats about 250 to 300 eyes a month.

McCulley hopes the new center will eventually provide surgery to 150 people every month.

The clinic will be about 2,000 square feet. The laser will be a LADAR Vision excimer laser manufactured by Summitt Autonomus, a subsidiary of Fort Worth-based Alcon Laboratories.

The laser uses the latest technology available, and McCulley believes that it will be the only one of its type in Tarrant County.

The LADAR laser uses a radar tracker to control the tightly focused laser beam, which ensures high precision when cutting and shaping eye tissue. It can be used to treat nearsightedness and farsightedness.

The laser costs about $500,000. "Having an open-access facility like this will save a lot of doctors from having to make a substantial investment in new equipment," McCulley said.

The center is scheduled to open Aug. 1.

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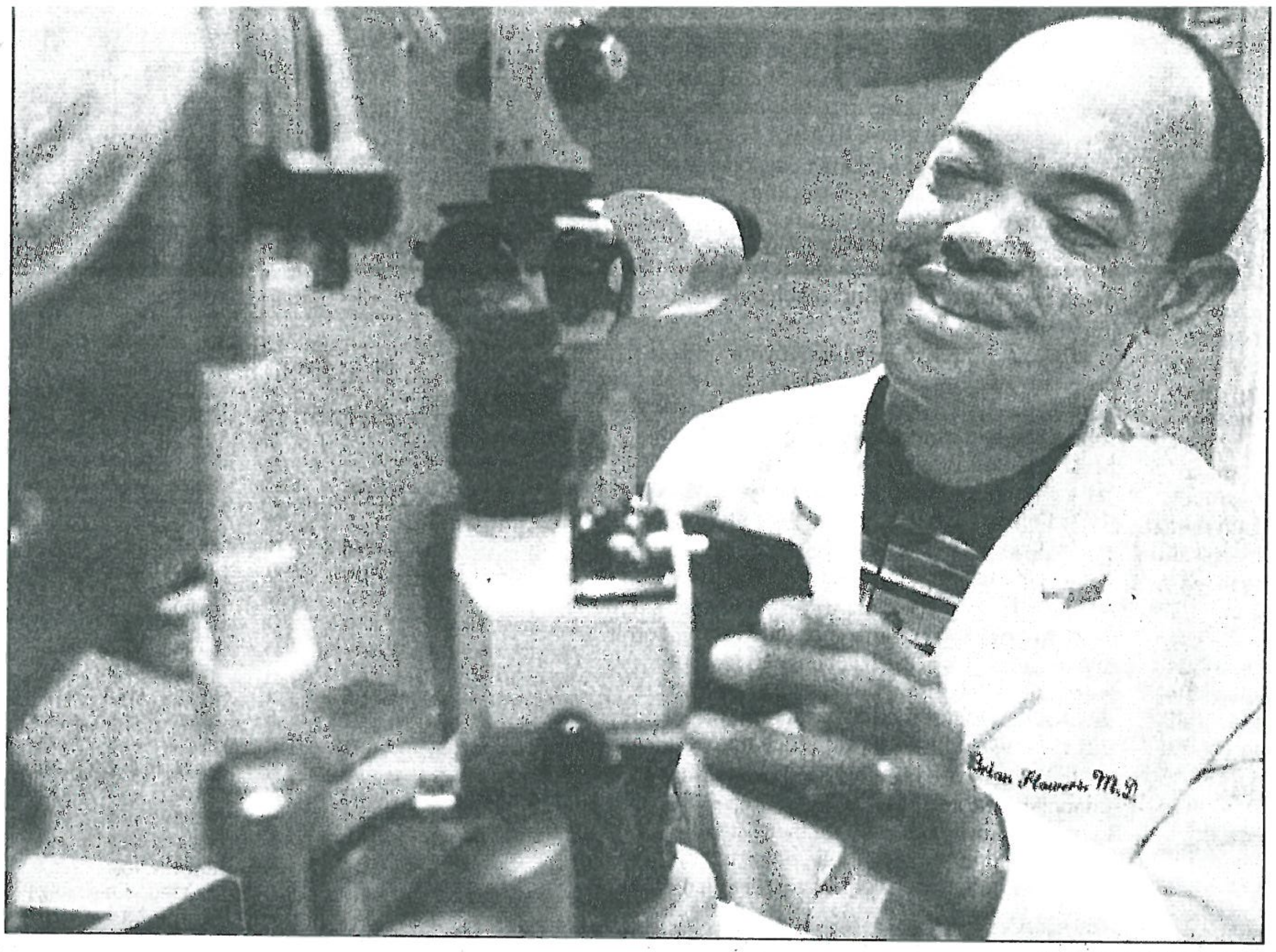
Business
Alcon



Star-Telegram/RALPH LAUER

Dr. Brian Flowers tests a patient for glaucoma at Ophthalmology Associates. He has begun prescribing Travatan, once-a-day eyedrops. The new drug from Fort Worth-based Alcon Laboratories won FDA approval eight weeks ago.

Optical solutions

Alcon battles pharmaceutical giant for vast glaucoma drug market

BY TREBOR BANSTETTER
Star-Telegram Staff Writer

FORT WORTH — Stuart Raetzman's eyes glitter with barely suppressed excitement when asked about *the market.*

"The market?" muses the marketing executive for Alcon Laboratories, a faint smile playing on his lips. "We see the market for this at about one billion dollars."

The product that Raetzman sees as a marketer's dream is Travatan, a new drug from Alcon that treats glaucoma by reducing pressure within the eye. It's the most important new pharmaceutical product on Alcon's plate and has the potential to funnel hundreds of millions of dollars in sales to the Fort Worth-based company.

"This is the biggest thing we're doing this year and probably for the next few years," Raetzman says.

But to get there, Alcon has to battle pharmaceutical giant Pharmacia, which manufactures Xalatan, a similar glaucoma drug. Unlike Alcon's drug, Xalatan has had the market entirely to itself since it was patented in 1996.

Alcon executives say their drug is more effective than the industry leader. But Pharmacia isn't about to give up its lucrative monopoly without a fight. It has already launched pre-emptive

(More on ALCON on Page 6F)

ALCON LABORATORIES

Founded: 1945 in Fort Worth by Robert D. Alexander and William C. Conner. The name "Alcon" comes from parts of their last names.
Business: Manufactures eye-care products, including Opti-Free saline solution, and eye-care drugs, including Panatol ocular allergy drug.
Chief Executive Officer: Tim Sear
Parent: Switzerland-based Nestle S.A.
2000 sales: $2.55 billion
Employees: 11,000 worldwide, 2,600 in Fort Worth

20 May 2001

ALCON

From Page 1F

lawsuits and promises to guard its territory fiercely.

"Xalatan has been an extremely successful drug for Pharmacia," says analyst Neil Sweig of Ryan, Beck & Co. in New York.

Sweig estimates that Pharmacia will sell $850 million worth of Xalatan worldwide this year, after sales of about $700 million in 2000.

"This is the established drug, and you don't just knock off a leader like that very easily," he says.

Glaucoma, which affects an estimated 3 million to 4 million Americans, is caused by a buildup of fluid within the eye, which increases pressure on the optic nerves and tissue. Untreated, the condition diminishes eyesight and eventually causes blindness.

Travatan and Xalatan treat the condition by forcing the eye to release fluid at a higher rate than usual, thus reducing the pressure.

> ***"If Alcon can do even half the business Pharmacia has with Xalatan, it would be considered an enormous blockbuster sales success."***
>
> **— Neil Sweig**
> analyst

Alcon isn't the only new dog nipping at Pharmacia's heels. When the Food and Drug Administration approved Travatan on March 23, the agency also gave the green light to a drug called Lumigan, manufactured by pharmaceutical powerhouse Allergan.

All three drugs generally treat glaucoma more effectively than other methods, such as beta blockers which are still often prescribed.

"We have the leading product in the world to treat glaucoma," says Paul Chaney, Pharmacia's global vice president of glaucoma pharmaceuticals. "I think having competitors out there will only reinforce Xalatan as the market leader."

But Alcon sees its new glaucoma drug as a key part of its growth strategy.

Best known for its over-the-counter contact lens solution, Alcon manufactures a variety of eye-related products. The company, which employs 11,000 people worldwide and 2,600 employees at its sprawling Fort Worth campus, is a wholly-owned subsidiary of Swiss conglomerate Nestle.

Although over-the-counter eye solutions remain the company's core business, Alcon has been building up its base in the fast-growing and higher-margin drug sector.

In the late 1990s, the company tasted success with an eye allergy drug called Panatol. The product became the most widely prescribed drug of its kind within nine months of its launch.

Alcon has also seen growing sales of an ophthalmic steroid called Vexol.

"The majority of eye-care professionals out there have had some kind of positive interaction with Alcon, and that sticks with people," Raetzman says. "In the long term, I think that's really the key here."

The company started investigating glaucoma drugs 15 years ago, says Raetzman, Alcon's global marketing director for glaucoma products. It took more than a decade of research — and investment of "many millions of dollars," company officials say — before it developed Travatan.

One reason for Alcon's keen interest in glaucoma is the lucrative market. Xalatan, for example, is Pharmacia's third-best selling drug, after just five years in production.

And because it tends to strike the elderly, the number of patients contracting glaucoma is growing as the ranks of senior citizens swell. The number of patients has also grown due to aggressive public awareness campaigns over the past several years.

Raetzman says Alcon's drug has two distinct advantages over Xalatan:

■ Studies have shown that Travatan is generally more effective, he says. Specifically, the drug reduces optic pressure at an increased rate when it is first applied to the eye, and later in the day. It also brings the pressure to a lower rate than its competitor, he says.

"Overall, what makes Travatan different [from Xalatan] is its effectiveness," Raetzman says.

■ Alcon's research studies, submitted to the FDA as part of the approval process, showed that the drug was particularly responsive in African-American patients, Raetzman says. That could be a strong selling point, because glaucoma is more common among African-Americans than other racial groups.

"If I'm a doctor and I have black glaucoma patients, this is the drug to use," he says. "No question about it."

Because the number of glaucoma patients is relatively small — about 3 or 4 million — Alcon isn't planning any mass consumer advertising campaign.

Instead, the company will rely on its traditional sales force to market the drug directly to doctors and will use targeted advertising in medical publications.

Raetzman says he expects sales growth to be slow but steady in the first few years. Alcon's biggest asset, he says, is the company's broad name recognition among eye doctors.

Alcon also hopes that a predicted increase in glaucoma screenings among senior citizens will boost the overall market. A new federal law authorizes the Medicare program to pay doctors for glaucoma screenings among high-risk patients, such as African-Americans and people with a family history of the disease.

That could enlarge the customer base for glaucoma drugs.

"Certainly, these new drugs have tremendous potential," Sweig says. "If Alcon can do even half the business Pharmacia has with Xalatan, it would be considered an enormous blockbuster sales success."

Pharmacia executives are skeptical of Alcon's claims that Travatan is a superior product.

"I haven't seen a published paper of any substantial weight on Travatan showing that it's more effective," Chaney says. "All we've heard are anecdotes and a little bit of data which doesn't really prove much."

Pharmacia is banking on the fact that its drug is already a well-established glaucoma treatment. It doubts that Alcon — or the other upstart, Allergan — will be able to persuade doctors to switch.

But the company is hedging its bets. Earlier this year, it filed trademark and patent infringement lawsuits against Alcon claiming that the name "Travatan" is too similar to "Xalatan," and could confuse doctors.

Both Alcon and Allergan have filed lawsuits asking the courts to determine whether Travatan and Lumigan violate Pharmacia's patents.

Sweig doubts the lawsuits will ultimately affect which drug dominates the glaucoma market.

"They're all suing each other, and that will take several very expensive years to resolve," he says. "But I don't expect any real resolution from the lawsuits, especially since the new products are on the market and are moving ahead."

In the meantime, the heightened competition could prove fruitful for patients. All three companies plan to pour money into public awareness campaigns that offer free glaucoma screenings.

And the fight for dominance could bring the price down, because the companies are likely to offer discounts to managed care companies that prescribe only one of the three drugs.

"There's a huge patient base out there that has this disease and doesn't know it," Raetzman says. "If we can get more people screened, we're going to save some people from blindness."

Alcon is already looking beyond the U.S. borders, having received approval from Mexico, Brazil and Argentina to sell Travatan. Approval in Europe is expected soon.

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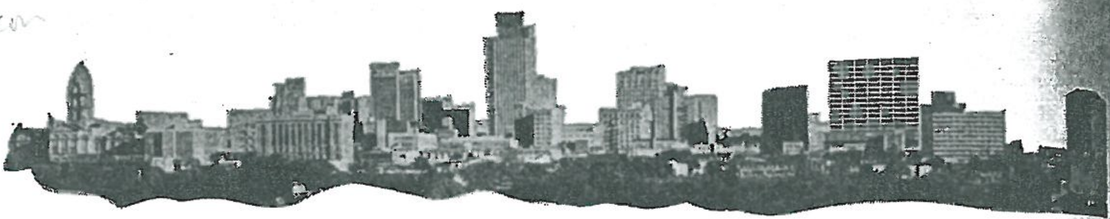
Alcon



PERSPECTIVE

A friendly petition has reached this desk from a Senor Salinas who is executive secretary of the International Good Neighbor Council. He informs us that the organization's International Affairs committee has passed and is implementing a resolution to persuade tourist-contact agencies in Texas to accept Mexican currency from Mexican travelers in this state. His group's feelings: that since Mexican people's willingness to accept U. S. currency adds to our travel convenience, returning the favor would seem to be only fair.

Possibly profitable, too, for Texas' tourist trade. . .

Yet another international financial move has been made by the U. S. Postal Service, which last month announced international postage rate revisions effective July first which will net some $20.6 million annually. While the new rate is an increase on air and surface mail to almost all other countries, the move actually lowers airmail costs to some areas, including most of Africa, Asia, Australia, and the Pacific. Because other rate changes vary widely, postal officials suggest checking with local post offices for definite information.

Channel Thirteen's award-winning "Newsroom", which received a special additional Ford Foundation grant recently to enable the probing news team to expand its coverage to include Fort Worth as well as Dallas, has already begun moving in that direction. More momentum will come this month, following Newsroom's July first opening of a storefront base of operations in this city.

Located on the Blackstone's street floor, the new offices will not be an originating point for broadcast, as was first planned; but reporters will use the facility as a base, and FW branch office manager Christie Seltzer will maintain regular office hours.

A third of the educational channel's contributing members, by the way, are Fort Worthers.

The Texas Associated Press Broadcasters Association gave two top awards to WBAP Radio, Fort Worth, at the association's recent annual convention in San Antonio.

Texas AP bureau chief James W. Mangan of Dallas presented the association's highest a[...] the Jordan-Flaherty Award to WBAP radio [...] television as the "station which has disting[...] itself for the most consistent and loyal partic[...] and assistance to the Associated Press durin[...] preceding year."

WBAP Radio also received the award fo[...] best five-minute newscast among cities of 30[...] or more. The award was based on news pres[...] tions chosen from a specified week.

The TAPBA also elected WBAP Radio [...] director Breck Harris vice president for radio. T[...] 31-year-old newsman is a veteran of 12 years [...] newscasting. He is a native of Dallas and a gr[...] ate of North Texas State University.

Public Service Life Insurance Company, [...] home offices in Austin, recently opened new offi[...] in the Mallick Towers here. More than six thous[...] square feet are included in the first-floor off[...] space housing the firm.

President of the company is Donald H. R[...] partner with McGown, Godfrey, Decker, McMac[...] Shipman and McClane. Richard T. Dale is chairm[...] of the board and owner.

Public Service Life was originally organized [...] 1898 as a mutual company, converted to a stock co[...] pany in 1964.

Dr. O. A. Battista, vice president of Science a[...] Technology of Avicon, Inc., of Fort Worth w[...] chosen by the American Academy of Achieveme[...] as one of 50 giants of accomplishments to recei[...] the Golden Plate award during the 10th annual S[...] lute to Excellence weekend, June 24-26, in Philad[...] phia.

Avicon, Inc., is a newly-formed company joint[...] owned by Alcon Laboratories, Inc., of Fort Wor[...] and FMC Corporation of San Jose, California.

Dr. Battista, who recently moved to Fort Wort[...] is an internationally - honored scientist, inventor a[...] author, who in 1969 was the recipient of the "Chem[...] cal Pioneer" award of the American Institute o[...] Chemists for pioneering research in the colloid[...] chemistry of high polymers. He is the inventor o[...] coinventor of over 450 United States and foreig[...] patents, a contributor of numerous articles on pol[...]

Alcon

(continued)

John B. Marshall, manager of the Tarrant County Convention and Visitors Bureau, has been elected president of the Texas Association of Convention and Visitors Bureaus at the group's second organizational meeting at the Sheraton-Dallas Hotel.

The primary purposes of the association are to attain a higher degree of professionalism and integrity in this specialized field and to exchange ideas and information that will result in the establishment of better business practices in this vital state industry.

Featured speaker C. P. Austin, Director of Visitor Services of the United States Travel Service of Washington, D. C. discussed the increased emphasis being placed by his office on foreign visitors who can and do come to Texas cities. Represented at the meeting were the cities of Abilene, Amarillo, Austin, Beaumont, Corpus Christi, Dallas, El Paso, Fort Worth, Houston, Laredo, Lubbock, and San Antonio.

Other officers of the Association are George Seagert, manager of the Austin Convention Bureau, Vice-President; and Richard Dillon, manager of the Abilene Convention & Visitors Bureau, Secretary-Treasurer.

The Association will convene again in Austin in February to formalize structure and by-laws.

A portrait to mark the occasion was presented Alcon officials Robert D. Alexander, president, left, and William Conners, chairman of the board, right, by Chamber vice president Bayard Friedman when Fort Worth businessmen turned out to honor the company upon its becoming the second local firm to be listed on the New York Stock Exchange.

Fort Worth and its many points of interest will be displayed in a continuous 35 MM slide presentation courtesy of a new member firm Adview, Inc. of Fort Worth. Here Hall Nunes, left, president of Adview and his associate Larry Baker present the unit to the Fort Worth chamber.

expansion digest

(Recent developments in manufac... distribution, and retail business in Tarrant and Johnson Counties compiled by the Economic Development Department, Fort Worth Chamber of Commerce)

NEW

National Can Corporation, U. S. Highway 81 South, Fort Worth—Albert ... Lange, Manager of Public Relations, has announced the acquisition of a ... acre tract in Lone Star Industrial Park for the construction of a 68,000 square foot beer and soft drink can manufacturing plant. The firm will employ between 38 to 50 people when the plant opens in early 1972.

Interface Adhesive Corporation, ... Handley-Ederville Road, Richland Hills —John H. McColm, President, has announced the start of manufacturing operations for the production of industrial adhesives. Interface will market its adhesives under the trade-name "Tru-Gl..." in Texas, Oklahoma, Louisiana, Arkansas, New Mexico, Kansas, and Colorado.

EXPANSION

Door Craft, Inc., 1813 W. Bowie, Fort Worth—R. N. Guinn and Rudy Broderi... have relocated their louvered door manufacturing plant to larger facilities at 1813 W. Bowie. Door Craft, Inc. distributes wooden louver products to dealers throughout the Southwest.

Texas Steel Company, 3901 Hemphill, Fort Worth—B. V. Thompson, Jr., President, has announced plans for the construction of a 9500 square foot structure to house the plant's expanded quality control operation. Using radiographic equipment to test steel castings for the presence of internal flaws, Texas Steel will produce high quality steel for use in the construction of nuclear power generating equipment. The project is scheduled for completion by January 1, 1972.

Cleburne Truck & Body Sales, Inc., Cleburne Industrial Park, Cleburne—Homer Poole, President, has announced the relocation and expansion of plant facilities for the manufacture of refuse collection equipment and containers. The firm has just recently moved into a new 20,000 square foot plant in the Cleburne Industrial Park.

Public Relations (Mary Dulle)

Business Alcon Mary Dulle

10 May 2001

PR unsung hero award named for recipient

By Sandra Baker
Star-Telegram Staff Writer

FORT WORTH — Mary Dulle, president of the Greater Fort Worth Chapter of the Public Relations Society of America, received the chapter's first Unsung Hero Award during a ceremony Wednesday night.

The award is now named in her honor, said Kristie Aylett, president-elect of the local chapter.

"We have established the Mary Dulle Unsung Hero Award as an annual award," she said. "We thought it fitting to establish this well-deserved award in her honor during her term as president."

The award will be given to a PRSA member to recognize outstanding contributions and leadership beyond the call of duty, Aylett said.

The award was presented during a dinner at Ridglea Country Club, held to also mark the 15th anniversary of the founding of the chapter. Dulle is a charter member.

Dulle is director of corporate communications at Alcon Laboratories, a Fort Worth eye pharmaceutical company. She is also chairman of the Alcon Foundation.

Paul Sturiale, director of communications and public relations for Pro Cuts, and a past president of PRSA, praised Dulle's work with the organization and said she never expects anything in return.

"She's really tireless in everything she steps up to do," Sturiale said. "That's really the heart of the award."

The chapter was founded in 1986 and has grown to more than 120 members.

Sandra Baker, (817) 390-7727
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IN MY OPINION

Praising top firms in county

■ Hail Tarrant County's Big Three: Alcon, D.R. Horton and XTO Energy.

A Fort Worth company made the front page of *The Wall Street Journal* last week in a long, flattering article that explained its rise to the top of a key American industry.

American Airlines? Nope.

Burlington Northern Santa Fe? Uh-uh.

RadioShack? No way.

Mitchell Schnurman

It was D.R. Horton, the home builder that started in 1978 by rehabilitating a single house in Fort Worth and recently set a record by selling more than 51,000 homes in the past year.

Horton's remarkable growth and consistency have been chronicled in the *Star-Telegram*. But the national nod is significant, because it unofficially crowns Horton as the industry leader, which prompted me to reflect on the other worldbeaters in Fort Worth.

They're not the usual suspects. No disrespect to American, BNSF and RadioShack, fine companies all. Or Lockheed Martin, Bell Helicopter and General Motors, major employers with long records of distinction.

But the top-performing public companies in Tarrant County, maybe in all of North Texas, are D.R. Horton, Alcon and XTO Energy. Check the record, not just in the past year but over the past several decades.

I'm not proclaiming a changing

More on SCHNURMAN on 7F

ONLINE EXCLUSIVE
Bob Crandall's fiery spirit seems to be guiding American Airlines' Wright fight. Big mistake. Check out the Schnurmanator at **www.star-telegram.com**, under blogs.

FROM 1F

Schnurman: 3 firms found success

CONTINUED FROM 1F

of the guard here, just giving props to the best of the best.

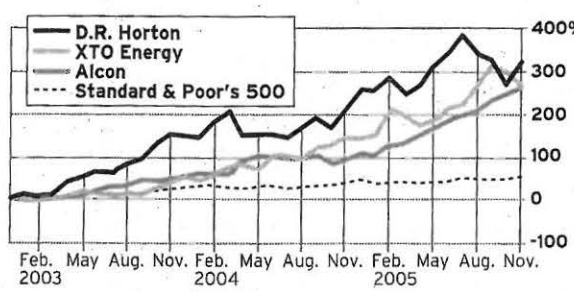
Horton has posted rising sales and profits in every quarter since it was founded, and it continues to set — and hit — audacious goals. By 2010, it expects to sell 100,000 homes, a number that seemed absurd a few years ago, if not for Horton's history of confounding the experts.

Alcon is a maker of eye-care products, including drugs, lenses, surgical equipment and contact-lens solution. With 70 units operating abroad, it's benefiting immensely from investments in Asia and developing countries, and net income has been growing close to 50 percent annually. The sales growth rate in emerging markets was 2.5 times greater than in the United States, Western Europe and Japan.

Alcon plans to spend $500 million a year on research and development in the next five

Fort Worth worldbeaters

The stock prices of D.R. Horton, XTO Energy and Alcon have increased close to 300 percent in the past three years, including dividends. Their total returns to shareholders are roughly six times higher than the Standard & Poor's 500 during the same period.



SOURCE: Bloomberg News STAR-TELEGRAM

XTO's focus is on producing natural gas in America. It doesn't venture off-shore or to Kazakhstan. And it doesn't get seduced by the idea of vertical integration; XTO won't get into refining or selling candy bars in convenience stores.

Horton's focus? It's growth and fanatical cost controls. The goal of building 100,000 homes by 2010 is a company mantra that's shared with analysts and the news media, presumably because the company relishes the challenge and wants all to understand it.

Horton is also impressive, because it's been open to change. The company acquired 17 builders from 1994 to 2002, and adopted many of their best practices. Example: town homes, accounting for 16 percent of sales. That's a major shift for a company built on Texas starter homes.

XTO banks on its technical expertise. It doesn't spend money hunting for gas; instead, it acquires known properties and then uses technology to pull more gas from them. And it buys a bunch of assets from Big Oil, which opts to pursue larger fields in other parts of the world.

XTO puts top-notch talent to work in places like Tyler, Midland and Farmington, N.M., and produces mind-boggling returns: Since 1993, the company says reserves per share are up more than tenfold, and annual gas productions are up more than 15 times.

It's now the second-largest player in the Barnett Shale, which keeps even more of that money in local hands.

Alcon is truly a global company, with half its sales outside the United States. A key strategy is to have people on the ground where doctors are practicing ophthalmology — Alcon's own people, not in-product, such as a breakthrough lens for cataract patients, it rolls through the international network, leveraging that long-term investment and helping Alcon grow profit faster than sales.

In the third quarter, Alcon's profit rose 52 percent on a 12 percent rise in sales.

Their local profiles are growing, too. D.R. Horton, based in Arlington for years, now has its name on one of Fort Worth's tallest skyscrapers. XTO is essentially creating an office campus in the center of downtown, remaining true to the buildings' original designs. And Alcon, long a quiet giant on the outskirts of the city, has become more outspoken since going public in 2002.

In *Barron's*, an analyst said XTO is one of the best companies that no one has ever heard of. For a long time, you could say the same about Alcon and D.R. Horton.

Not anymore.

Mitchell Schnurman's column appears on Sunday and Wednesday. (817) 390-7821 schnurman@star-telegram.com

Alcon plans to spend $500 million a year on research and development in the next five years, much of it at its south Fort Worth campus.

XTO, started as Cross Timbers in 1986, has been on a tear since it went public in 1993. It buys natural-gas properties and finds ways to make them more productive. It made huge bets on gas fields when prices were lower and has been reaping the rewards, including an annual compounded growth rate of more than 30 percent.

This year, *Forbes* ranked XTO as one of the country's 26 best-managed companies, culled from 1,000 publicly traded companies with at least $1 billion in revenue. *Barron's* put co-founder Bob Simpson on its cover as one of the world's 30 most-respected CEOs, calling him the Warren Buffett of oil and gas.

XTO is also rebuilding a big chunk of downtown Fort Worth, renovating three buildings and planning to rip down a decaying skyscraper that's been besmirching the skyline for years.

As for the bottom line, Wall Street loves these guys. In the past three years, Alcon, Horton and XTO have *added* $52.9 billion to their combined market value, with Alcon leading the way.

You read that right: They've created nearly $53 billion in new value, which means their stock prices as a group have tripled since 2002.

Compare that with American, Lockheed and RadioShack. They're stalwarts of the local business scene, largely because they have thousands of area employees and are major contributors to the community. Those three have added $2 billion to their market caps since 2002, almost all of it from a rebound in American's stock price since it flirted with bankruptcy.

Alcon, Horton and XTO have some common threads. Each is in a white-hot industry: pharmaceuticals, home building and natural gas.

Having a strong tail wind always helps, but they've also managed to grow revenue and profits decade after decade, regardless of the economy.

The three share some humble beginnings. Each was started here, with limited cash, and two are still led by their founders, XTO's Simpson and Don Horton.

Robert Alexander and William Connor incorporated Alcon in 1947, using the first syllables of their last names as the moniker. They borrowed $3,000 from their life-insurance policies and made pharmaceuticals with a home blender and a pressure cooker.

This year, Alcon's sales are expected to reach about $4.4 billion.

Ask these companies why they're so successful, and each lists the same thing first: a laserlike focus.

For Alcon, it's focusing on the eye. Its research and development, surgical devices and investments surround this subject, giving Alcon the broadest, deepest line in the business. It wants to own the eye-care space, and that translates into building lifelong relationships with doctors, academics, researchers and opinion leaders in the field.

Horton's focus? It's growth and fanatical cost controls. The goal of building 100,000

IN THE KNOW

Alcon

Maker of eye-care drugs, lenses and related products.
Incorporated in 1947 in Fort Worth.
Half of sales (and employees) are outside the United States, and sales in emerging markets are growing 2.5 times faster.
Net income of $870 million on $3.3 billion in sales for nine months ended September.
12,555 employees, almost 3,000 in Fort Worth. About 300 local Alcon workers have doctorates, and more than 500 have master's degrees.
Stock market value: $43.8 billion.

D.R. Horton

Home builder
Founded in 1978 in Fort Worth.
Sold 51,172 homes in year ended September.
Net income of $1.47 billion on $13.6 billion in revenue.
8,900 employees, 804 in Dallas-Fort Worth.
Stock market value: $11.4 billion.

XTO Energy

Natural-gas producer
Founded in 1986 in Fort Worth.
Drills exclusively in the United States, using technology to get more gas from known reserves.
Net income of $699 million on $2.3 billion in revenue for nine months ended September.
1,600 employees, 450 in Fort Worth
Stock market value: $15.7 billion.

SOURCES: The companies

quired 17 builders from 1994 to 2002, and adopted many of their best practices. Example: Torrey Homes in Atlanta was a volume builder, and Horton incorporated its scheduling systems in 1997, accelerating its production pace.

Lately, Horton has been branching into condos and

the ground where doctors are practicing ophthalmology — Alcon's own people, not independent reps.

That's expensive to install and maintain, but it's paying off big as more of the world ages and embraces new eye treatments.

When Alcon introduces a

TN

Business

C

Digest, 2C
Markets, 7-13C

STAR-TELEGRAM ■ WWW.DFW.COM/BUSINESS

26 Feb 2002

Preparing to go public, Alcon details finances

By TREBOR BANSTETTER
STAR-TELEGRAM STAFF WRITER

FORT WORTH — Since 1999, sales have steadily increased at eye care company Alcon Laboratories, but profits tumbled nearly 10 percent as overhead swelled and management prepared to introduce a new glaucoma drug.

The decline in net earnings was disclosed in a voluminous report that Alcon filed with the Securities and Exchange Commission late Friday. Meanwhile, Nestle, its parent company, announced that it will offer 23 percent of Alcon's stock, worth as much as $2.4 billion, for sale on the New York Stock Exchange in late March.

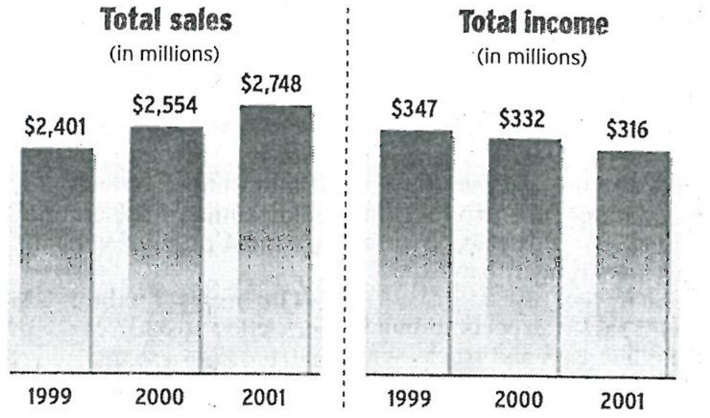
EYE CARE Sales have increased steadily, but profits have fallen nearly 10 percent.

It's the first time in more than two decades that Alcon, the world's leading eye care company, has released a detailed accounting of its finances, structure and long-term business strategy. Since 1978, when Nestle bought the

More on EYE CARE on 4C

Sales up, profits down

Net income at Alcon Laboratories fell nearly 10 percent since 1999, despite growth in sales.



SOURCE: Securities and Exchange Commission

STAR-TELEGRAM/DON COOK

26 Feb 2002

EYE CARE

Continued from 1C

company, Alcon executives have had to disclose little more than general revenue figures and descriptions of its products in a short "annual report" available to the public.

Alcon executives declined to comment on the filing. The company has entered an SEC-mandated "quiet period," in effect through the initial sale of the stock, during which officials are forbidden from publicly discussing the company.

Friday's announcement boosted the stock of Nestle, which is traded on the Zurich stock exchange. European analysts have been critical of Nestle for years for sitting on subsidiaries such as Fort Worth-based Alcon, which is unrelated to its core food business.

"The market is interested in how Nestle views its future," said analyst Rene Weber of Bank Vontobel in Zurich.

The initial filing includes detailed information, letting potential investors, competitors, employees and analysts gauge Alcon's performance and analyze what makes it tick.

Some of the highlights:

■ Profits dropped from $347 million to $316 million — nearly 10 percent — from 1999 to 2001 even as total sales rose from $2.4 billion to $2.7 billion.

Alcon attributes the drop to increased selling expenses, a rise in research and development costs and expenses related to the $893 million acquisition of Summit Autonomous, which makes eye surgery lasers, in May 2000.

■ Profits have been sluggish since 1997, rising just over 4 percent, while revenues have risen 37 percent, according to financial data Alcon calculated using International Accounting Standards.

Though the method is common in Europe, the SEC requires U.S. corporations to use a different method, Generally Accepted Accounting Principles. Alcon's finances dating to 1997 were presented under the international standards because that is what the company used at the time, according to the report.

■ Alcon's greatest potential for growth is in the eye drug market, which executives estimate to be worth nearly $5.2 billion. Alcon holds a 17 percent share of that market.

Alcon has a 43 percent share of its core market, optical surgical equipment, which is estimated at $3.2 billion. Alcon also controls about 18 percent of the $2.5 billion contact lens care market.

The company estimates that the total worldwide market for its products is $11 billion and is likely to grow as the population ages.

■ Alcon has a significant number of new products in the pipeline, including two anti-infection drugs, Moxifloxacin and CiproDex Otic, expected to be approved by the Food and Drug Administration next year. A new contact lens disinfectant is expected to be approved in 2004.

■ Risks facing the company include the loss of its patent protection on some products; a decline in elective eye surgery because of the sluggish economy; and two patent infringement suits filed against Alcon by Pharmacia Corp. over Travatan, a successful glaucoma drug.

"Even a settlement of these lawsuits on reasonable terms may result in adverse consequences," Alcon executives wrote.

■ Tim Sear, 64, Alcon chairman, president and CEO, got $2.3 million in compensation last year, including salary, bonus, stock incentives and benefits.

Though not a public company, Alcon has, since 1994, rewarded its executives with "phantom" stock options calculated based on the company's performance.

■ After it goes public, Alcon will offer traditional stock awards and options program for employees.

By nearly any measure, Alcon will become one of Tarrant County's largest public companies after its shares go on sale next month. In total sales, for example, it will be larger than Sabre Holdings of Southlake, which had sales of $2.6 billion.

Despite the new disclosures, Alcon's report makes it clear that Nestle will continue to greatly influence Alcon, controlling the election and removal of all directors, payment of dividends, changes to the company's structure and any items brought before shareholders.

Nestle has told Alcon executives that it has no plans to sell additional stock, according to the filing, but adds that "Nestle is not subject to any contractual obligation to maintain its ownership position in our shares."

At a glance

Alcon Laboratories
6201 South Freeway
Fort Worth

Stock symbol: ACL (NYSE)

Business: Alcon is the world's leading eye care company. It develops and makes prescription eye care drugs, optical surgical equipment and contact lens care products.

CEO: Timothy Sear

Sear's 2001 total compensation: $2.3 million

Employees: 11,000 worldwide, 2,600 in Fort Worth

Market share: Optic drugs market, 17 percent; eye surgical equipment market, 43 percent; contact lens care market, 18 percent

Sources: Securities and Exchange Commission, Alcon Laboratories

European analysts who follow Nestle speculate that some of the Alcon proceeds will be used to finance Nestle's $10 billion takeover of American pet food maker Ralston Purina.

In a statement, Nestle officials said the Alcon IPO will strengthen its credit rating, which has been under review since the Ralston deal.

This report includes material from Dow Jones News Service.

ONLINE: Alcon Laboratories: www.alconlabs.com

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Busin... Mer...

"We are very excited, and it's very coincidental how it all happened at the last minute."
— Sandra Knox, Kennedale Junior High principal

Quick thinking produces furniture for ailing school

23 July 2004

DONATION A student's mother manages to score a truckload of goods for burned-out Kennedale Junior High.

By TOM BARTON
STAR-TELEGRAM STAFF WRITER

KENNEDALE — Timing was everything for Jan Joplin and the truckload of furniture.

The account manager for Fort Worth-based Alcon Laboratories knew that her son's junior high school needed furniture to fill its offices and classrooms after a fire. Joplin also knew an Alcon truck was being loaded with old items for a delivery to Goodwill.

So Joplin made some phone calls, stopped the truck, and 125 pieces of furniture were delivered Thursday to Kennedale Junior High, just in time for the start of school Aug. 16.

"We are very excited, and it's very coincidental how it all happened at the last minute," said Sandra Knox, the school's principal. "It's unbelievable. People kept asking me where are we going to put things."

Alcon donated desks, cabinets, chairs, shelves, bookcases, lab equipment and 30 computers to the school, which was set on fire May 29 and suffered $5 million to $15 million in damage. Investigators detained a 14-year-old boy in connection with the arson but released him because of lack of evidence. No arrests have been made.

Joplin, whose son will be a seventh-grader at the school, said she had called a few area businesses before being asked whether Alcon had items to donate.

Turns out that Alcon was loading a truck with furniture to be sent to Goodwill. With help from Alcon's Corporate Giving Department, Joplin was able to stop it from going to Goodwill until school officials could look at the furniture and see if they could use any of it.

"They took almost everything we had to give," Joplin said. "[Alcon] just hopes that beauty can come out of this from the ashes."

Knox said the school was in the process of ordering office furniture. She said it was anybody's guess as to whether it would arrive in time for the start of classes, as it could take nearly six weeks for delivery.

She said the school is planning on being ready for the start of classes.

The Fort Worth school district loaned the junior high school 14 portable classroom buildings, which began arriving at the school on July 16.

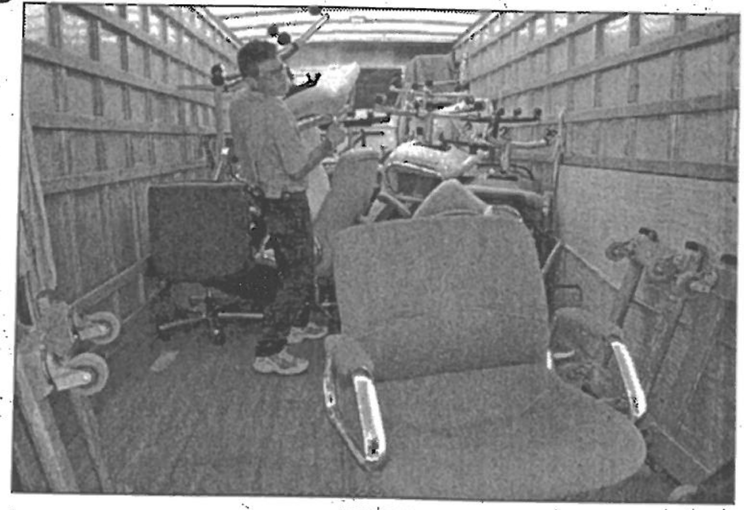
"We might be able to transfer some students to the school in six months, but, probably, we're looking at having to teach out of these portable classrooms for a year to 18 months," said Mark Biondi, director of facilities for the Kennedale school district.

However, donations — like Alcon's — will help a great deal, Biondi said.

"We could piecemeal it, but Alcon's donation allows us to not have to do that," he said.

The Woodman Lodge of Mansfield also donated $2,000 to help teachers replace classroom items.

Joplin said she hopes Alcon's donation will spur other businesses to help out as well.



SPECIAL TO THE STAR-TELEGRAM/BRIAN LAWDERMILK
Vincente Hernandez of Business Interiors unloads office furniture donated by Alcon Laboratories from a truck Thursday at Kennedale Junior High School in Kennedale.

How you can help:

Donations can be made to the school's Wells Fargo fund by calling (817) 561-3364 or the school at (817) 483-3640.

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is the broadband technology of

22 Aug 2002

EARNINGS

Ralston purchase boosts Nestle

(Per-share earnings are in parentheses)

VEVEY, Switzerland — Nestle, the world's largest food company, increased first-half operating profit by 3.7 percent after cutting some costs and getting a boost from the purchase of pet-food maker Ralston Purina Co.

Profit rose to 4.47 billion Swiss francs ($3 billion) before taxes and one-time items from 4.32 billion francs a year ago. Net income climbed 79 percent after 3.9 billion francs ($2.6 billion) in proceeds from selling part of the Alcon eye-care unit offset write-downs. Alcon's U.S. headquarters are in Fort Worth.

Flush with cash from Alcon's initial public offering, Nestle cut 1.7 billion francs from the value of several units. It began reviewing older businesses after a series of takeovers including Ralston and Haagen-Dazs ice creams in the United States last year.

The biggest write-down was for Spillers pet food in Europe, Chief Financial Officer Wolfgang Reichenberger said in a conference call.

The company said it expects higher sales and profit excluding currency shifts in 2002, without providing a detailed forecast. Sales gained 7.2 percent to 44.2 billion francs in the first half, fueled by an 82 percent jump at the pet-care business.

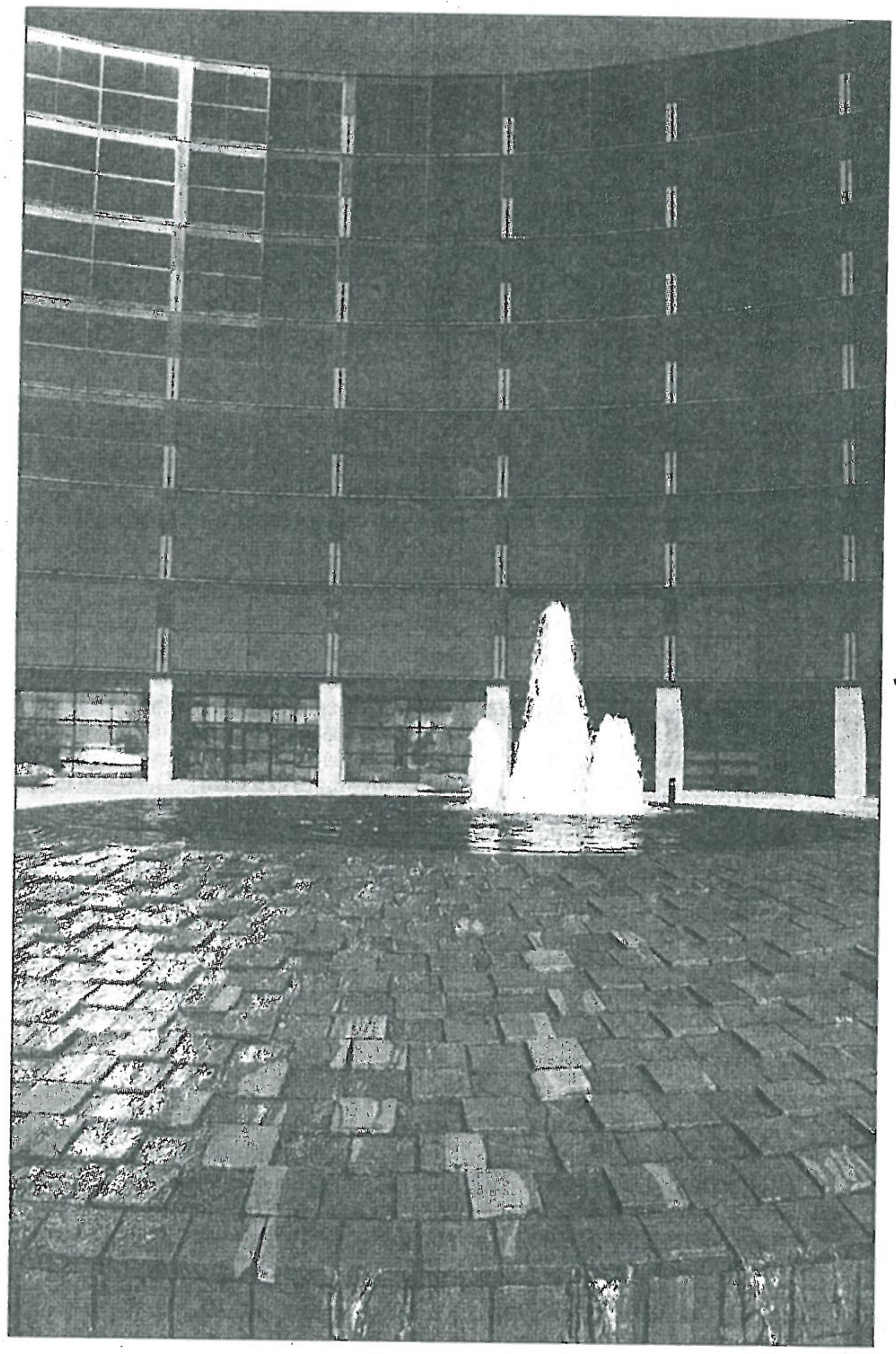
■ **Big Lots**, the largest U.S. retailer of discontinued and overstocked merchandise, reported earnings of $3.22 million (3 cents), compared with a loss of $10.7 million (9 cents) a year ago. It had a second-quarter profit from a 17 percent sales increase and improved cost control. Sales rose to $879.3 million from $748.4 million, and those at stores open at least two years increased 12 percent.

■ **Talbots'** second-quarter earnings rose to $20 million (33 cents) from $17.8 million (28 cents) a year ago. Sales in the quarter that ended Aug. 3 fell 3.6 percent to $370.4 million. Same-store sales fell 10 percent.

From wire reports

Business
Alcon

Reflecting on Alcon



STAR-TELEGRAM/SHARON M. STEINMAN

The privacy Alcon enjoyed as a wholly owned subsidiary has vanished in its transition to publicly traded corporation. Above is Alcon's R.D. Alexander Administration Center.

By TREBOR BANSTETTER
STAR-TELEGRAM STAFF WRITER

FORT WORTH — After two decades of guarding even the most innocuous information, executives of Alcon Laboratories are bracing for the attention, scrutiny and transparency that comes with being a major public corporation.

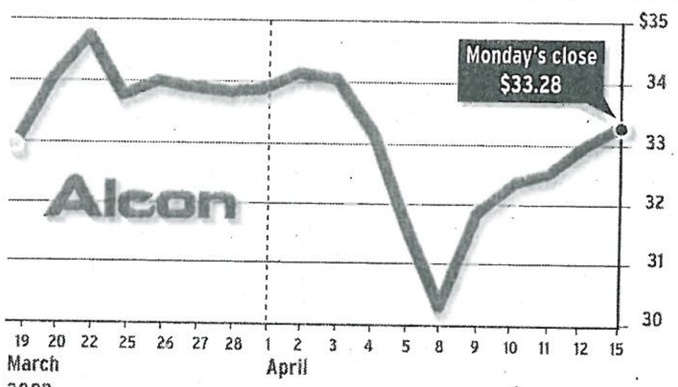
The eye-care company's final transition from wholly owned subsidiary to publicly traded corporation comes today, when the "quiet period" mandated by the Securities and Exchange Commission for new stock offerings officially expires.

"It's nice to be able to talk about Alcon," Chief Executive Tim Sear said. "We've been so quiet in the past, I think this is our opportunity to raise our profile in the community."

More on ALCON on 3C

Stock market newcomer 16 April 2002

Shares of eye care company Alcon Laboratories have careened between $30 and $35 per share since the company went public. Some analysts predict it will eventually rise above $40 per share.



SOURCE: Bloomberg News

STAR-TELEGRAM/DON COOK

16 April 2002

ALCON

Continued from 1C

Wall Street scrutiny began in earnest Monday, when a handful of stock analysts launched coverage of Alcon, which develops and manufactures contact lens solution, optical surgical instruments, eye-related drugs and optical lasers.

The ratings were positive, ranging from a "buy" from J.P. Morgan to a "strong buy" at Lehman Brothers, Credit Suisse First Boston and Banc of America Securities, "near-term strong buy" from Merrill Lynch and "market outperform" from Goldman, Sachs & Co.

The effusive opinions weren't a surprise — all of the brokerages were involved in underwriting Alcon's initial public offering, according to SEC records.

Analyst Theodore Huber of Banc of America said the company's solid position in its three market sectors led him to set a price target of $42 per share. Alcon was trading at $33.28 when the market closed Monday.

"They have a real leadership position in the pharmaceutical, surgical and consumer markets," Huber said. "They also have good positioning in markets all over the world. That makes it a high-quality company."

Now that analysts are issuing reports, Doug MacHatton, the company's new head of investor relations, is expecting a flood of inquiries.

"During the quiet period, there was a certain amount of civility in the investment phase," he said. "Now, I suspect the volume of calls and the duration of calls is going to increase geometrically."

Executives got their first taste of the limelight in February, after parent company Nestle announced it would sell a portion of Alcon's stock on the public markets. Soon after, top managers began an ambitious "road show," pitching the company's strengths as an investment.

Sear and his executive team spent three weeks giving 86 presentations to potential investors, visiting 25 cities in six countries.

STAR-TELEGRAM/SHARON M. STEINMAN

Employees Anna Delgado and Robert McGee have breakfast in the Alcon campus cafeteria in Fort Worth the day the company went public, March 21.

"It was quite an expedition," Sear said. "The reception was very positive."

While Sear chatted up Alcon with investors, the company bared its financial soul to the public by releasing a voluminous registration statement. The document disclosed items from recent profits — which tumbled 10 percent from 1999 to 2001 — to long-term strategy, new products in the pipeline and the salaries of top officers.

Last week, the company released its first quarterly sales numbers, and the news was good. Alcon's sales rose about 8 percent to $706.5 million during the first quarter of 2002.

Sear said he expects to maintain that level of growth throughout the year.

"Absent any extraordinary events, that's the level of sales I would expect to continue," he said.

That focus on quarterly results is new for Alcon, which formerly had to meet only annual goals set by Nestle, the Swiss food giant that bought the company in 1978 and took it private.

"We're going to be managing to the bottom line to a much greater extent than we have in the past," Sear said.

Being public also means that Alcon's competitors can now take advantage of the reams of information the company must disclose.

"The competition knows more about us than they ever have," said Cary Rayment, Alcon's senior vice president of U.S. operations. "It might be a little harder to surprise them."

In addition to basking in praise when the company does well, executives will also have to deal with public criticism.

For example, a recent investment column in *Business Week* magazine bristled that Alcon made a $1.2 billion dividend payment to Nestle as it went public. The column also took issue with Nestle's taking the cash raised from the offering, instead of plowing it back into the company.

"What's good for Nestle won't be great for Alcon," wrote Robert Barker in his weekly "Barker Portfolio" spot in the magazine.

MacHatton dismissed the criticism and said the dividend payment was simply repaying Nestle for cash that had accrued in Alcon accounts over the past several years because of Swiss tax law.

"It didn't increase the company's debt, because we had the cash on hand," he said. "It had always been anticipated that we would remit that."

He also pointed out that the IPO wasn't a total wash for Alcon — the company kept $220 million and used it to pay down short-term debt.

Alcon's independence from Nestle, which still owns 75 percent of the company's stock, has also been brought into question.

But Rayment said the parent company has the same goals as investors: growth and profitability.

"It's in the interests of Nestle that we do the right thing," he said.

Sear acknowledged that criticism is now part of the game.

"We're going to get the full spectrum of reactions from people," he said. "That's to be expected."

Despite the inevitable barbs, Sear said he is looking forward to talking about the company's performance with anyone who is interested.

But he also pointed out that for most employees, the change to a public company won't mean much.

"It's exciting for all of the employees," he said, "but for the vast number of them, life will go on as usual."

ONLINE: Alcon Laboratories: www.alconlabs.com

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Role Model

Jacqualyn Fouse, senior vice president of finance and chief financial officer of Alcon Laboratories, Inc., addressed the October Women in Business luncheon held at Mira Vista Country Club. Young women, students from area high schools, were special guests sponsored by the attendees. The luncheon was sponsored by Pier 1 Imports and Wells Fargo

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Alcon

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EARNINGS

Sales lift Alcon earnings nearly 40%

10 Feb 2005

■ Alcon plans to pay shareholders a dividend after posting profits in the fourth quarter and full year.

By **MARIA M. PEROTIN**
STAR-TELEGRAM STAFF WRITER

Alcon's earnings climbed almost 40 percent to $187.3 million, as the Fort Worth eye-care giant boosted U.S. and international sales in the fourth quarter.

The results were released after the market closed. Alcon's stock (ticker: **ACL**), which dropped 98 cents to $79 in regular trading on the New York Stock Exchange, jumped $5.28 in extended trading to $84.28.

The earnings amounted to 60 cents per share for the maker of drugs, surgical equipment and consumer products. A year ago, Alcon earned $133.9 million, or 43 cents per share.

Alcon also said Wednesday that it plans to pay a dividend of 1.18 Swiss francs — the equivalent of 97 cents at Wednesday's exchange rate — to shareholders after the company's annual meeting in May.

Global sales — led by allergy medicines and other drugs — climbed almost 12 percent, to $952.7 million, compared with the same period of 2003.

For all of 2004, Alcon's earnings rose to $872 million ($2.62 per share) from $595 million ($1.92 per share) in 2003. Global sales topped $3.9 billion, up almost 15 percent.

In a written statement, Alcon Chief Executive Cary Rayment noted that the company grew significantly in 2004 and made progress in developing several new drugs and devices.

"This was an outstanding year for Alcon, as we demonstrated continued growth across all our major businesses, expanded market share of key new products and capitalized on our established infrastructure to grow profits faster than sales," Rayment said.

Among the highlights:

■ Surgical sales, which account for almost half of revenues, rose almost 11 percent, as Alcon's AcrySof intraocular lens continued to make inroads in the market.

■ Pharmaceutical sales climbed almost 15 percent, including a 32 percent boost for the glaucoma drug Travatan.

■ Sales of consumer products increased almost 8 percent.

■ Revenue from refractive surgery, commonly known as LASIK surgery, dropped almost 9 percent as equipment sales fell.

Alcon predicted 2005 sales of $4.28 billion to $4.38 billion and earnings per share of $3.08 to $3.14.

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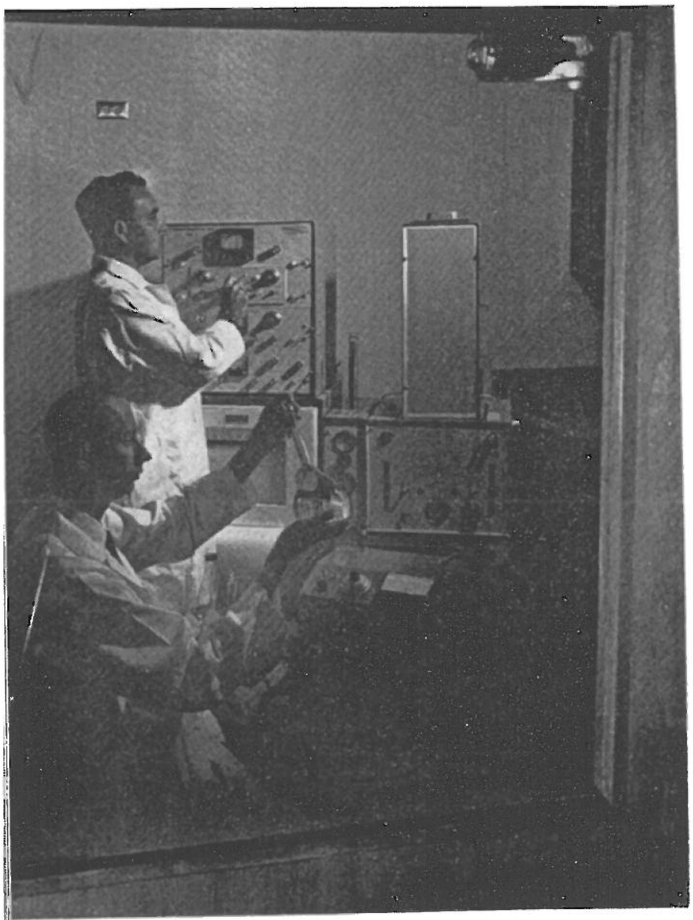
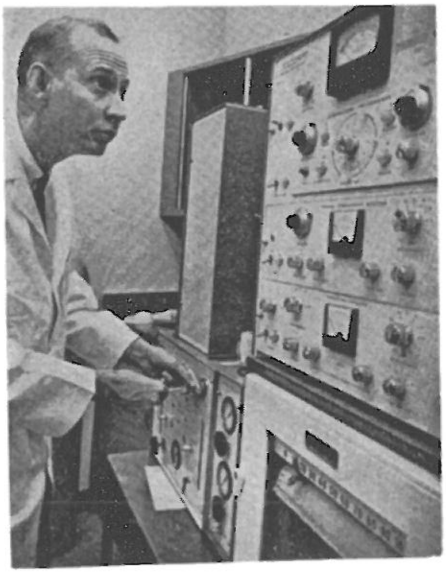




GAS CHROMATOGRAPH, one of most exotic instruments found at Alcon, uses column of helium and Mr. Linton explains that a person who has seen water spread on a blotter has a point of departure for understanding how it works.

DR. B. B. SHETH, a native of India and head of products development, employs the DK-1 Spectrophotometer, workhorse of analytical instruments, which works on principle of light absorption to detect breakdown in chemical compounds.

CHEMISTRY CONTROL Chief Ernest Linton, foreground picture at left, runs test samples for vapor pressure on osmometer at Alcon Laboratory, as organic chemist W. A. Padgett analyzes another complex compound with a gas chromatograph.

Fort Worth's Alcon Lab World's Largest Pharmaceutical Manufacturer Specializing In Preparations for Eye

Serving The People Through Science

January 1964

By ANDREW COSBY

Fort Worth's Alcon Laboratories is the world's largest pharmaceutical manufacturing firm specializing in preparations for the eye. It has attained this position by riding the crest of a revolution in the drug industry.

President William C. Conner notes:

"Last year, the pharmaceutical industry spent $248,000,000 on drug research. In the last 10 years it has spent $1,500,000,000. Yet despite these outlays, the cost of prescription drugs has gone down, the quality and effectiveness of drugs improved.

"Alcon has been a leader in the use of highly sophisticated analytical instruments in research and quality control. These instruments eliminate hundreds of hours of tedious, painstaking work by individuals. The satisfying growth we have witnessed in the last 16 years cannot be credited to any one factor.

"Careful corporate planning, a reputation for high quality standards, an active research and development program, and an aggressive marketing program—all these have been important. Our high record of capability led the list of growth factors."

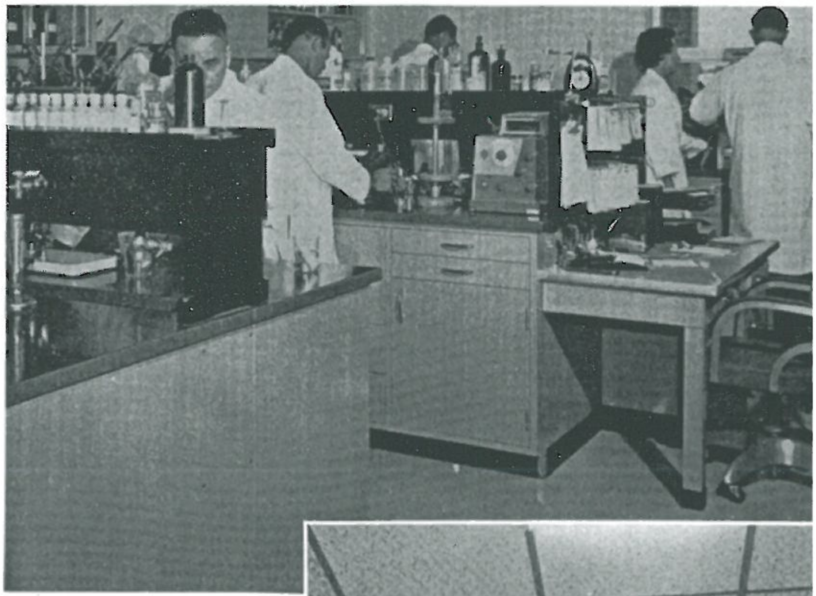
At Alcon, the impact of highly sophisticated electronic instruments is acknowledged in another observation by Mr. Conner:

"Like the Atlas missile, many of these precision instruments didn't exist 10 years ago."

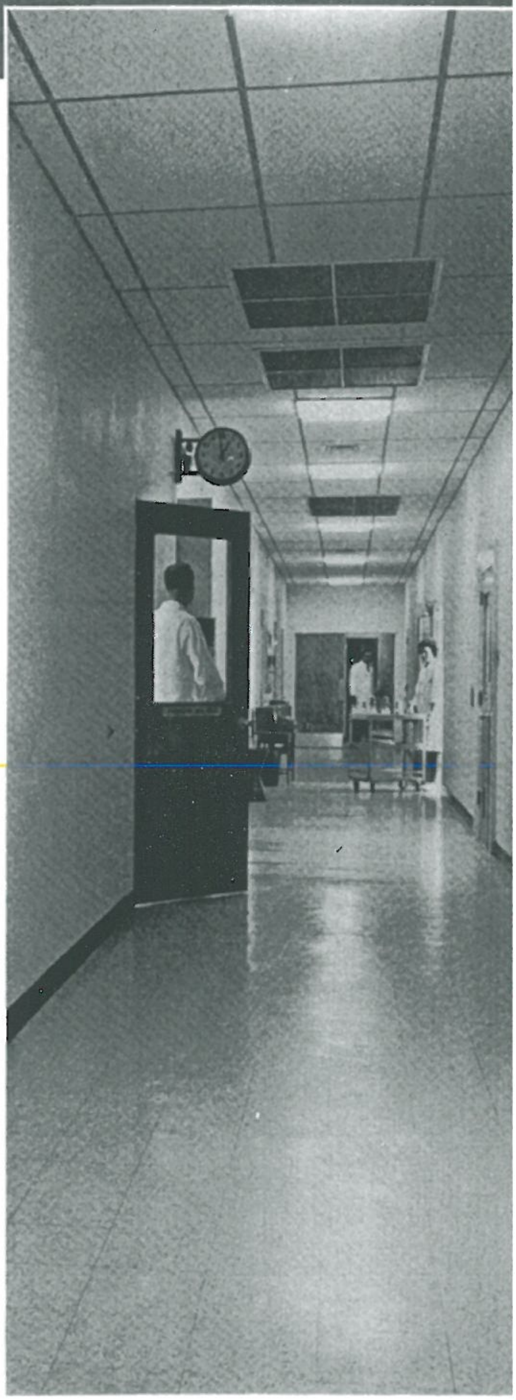
Ernest Linton, chief of the analytical chemistry section in Alcon's Quality Control Division, explains it another way.

"Five years ago, there were two chemists in this section to assay raw materials and confirm chemical integrity of our finished product. Now we have three chemists and several thousand dollars worth of new, electronic equipment. Our workload has increased six fold."

MISS ELIZABETH TAYLOR, a University of Tennessee graduate, employs time-lapse photographic equipment in microbiology research lab to photograph in color growth of bacteria and virus infections. She seeks to find cures for eye viruses that can cause blindness.



TO MAKE SURE all finished products are chemically pure, Alcon chemists double-check by means of spectrophotometers, pH meters and other electronic instruments. These purity tests are standard procedure there.



ALCON'S Laboratory Building houses 42 scientists, technicians and assistants who use advanced electronic instruments in their search for new and improved drugs for the eye. It's hospital clean, as this hallway view shows.

The key, as Mr. Linton sees it, is introduction of electronic assay instruments. Ultra-violet and infra-red spectrophotometers, capable of "fingerprinting" complex molecules, have been introduced. Where chemical assays formerly took days, they now take minutes.

Quality control chemists can conduct more thorough examinations of raw materials and finished products with these instruments. According to Mr. Linton, only the tests required by federal law were run on product samples a few years ago.

"But in the last three years," he notes, "we have exceeded all of the federal requirements, and we run just about every test in the book. For instance, in July, 1960, we began conducting long-term stability studies on all of our products. Not until June, 1963, did this become a federal requirement."

The impact of electronic instruments may be seen in Alcon's product-development laboratories, where they are used in determining the formulas for new products. They also have speeded analyses and testing in pharmacology, organic chemistry and microbiological research.

In the area of virus research, microscopes are equipped with motion picture cameras to record in color the progress of infections on cellular material and the action of hoped-for cures.

Scientific instruments are used to measure the size of microscopic particles in suspensions, to measure the acidity of solutions and to solve rapidly other problems for Alcon scientists.

But machines, Alcon management is quick to point out, are not replacing people.

"Despite this instrumentation," reports laboratory administration chief T. C. Fleming, "our laboratory staff of scientists, technicians and assistants has more than doubled."

Alcon's sales have increased in five years from $1,347,283 in 1958 to $7,718,310 in fiscal year 1963. This sixfold increase reflects a broadened product line and increased volume in all of their nearly 50 preparations.

Certainly, instrumentation has not restricted Alcon's employment office. In 1958, there were 150 employes. Today, there are 265—not including the employes of Alcon's two subsidiary companies.

"In the last five years we have experienced almost unprecedented growth," observes Mr. Conner. "The next five years promise even more growth.

"There are countless diseases of the eye still requiring more effective treatment. Here at Alcon, our job is to find the means. This is an inspiring assignment—one that challenges every member of the Alcon team."

SMART inspiration

There's no telling what a satisfied worker can do

MARIA M. PEROTIN
STAR-TELEGRAM STAFF WRITER

The recipe for a happy work force: Begin with a heap of respect for employees. Add an abundance of communication, and sprinkle with some generous benefits.

Voila.

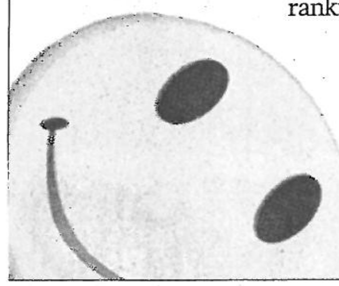
Those key ingredients helped create many of the employee-friendly workplaces praised this month in *Fortune* magazine's "100 Best Companies to Work For" ranking.

Although each company touts unique strategies, the employers' winning formulas often contain some common threads, says Katie Popp, coordinator of the Best Companies Project at San Francisco's Great Place to Work Institute, which helped compile Fortune's list.

The most successful workplaces are built on credibility, with managers treating workers with respect and fairness, Popp says. In turn, their employees boast company pride and enjoy camaraderie with colleagues.

Popp's institute surveys workers and employers — giving more weight to employees' responses — to devise the annual ranking.

"We're looking for companies that have good communication, that have environments in which the employees look favorably on the company," Popp says.



Of course, big paychecks go a long way toward boosting employee morale. But Popp says workers want more than money. Also important: helping them balance their lives, and encouraging pride in the business.

Alcon Laboratories, the Fort Worth-based eye-care giant that landed at No. 40 on *Fortune's* list, won praise for fostering a strong sense of family and offering rich benefits.

"Our management has tried really hard to keep that sense of family atmosphere, of a small company," spokeswoman Suzie Dement says.

The company, which has 11,000 workers worldwide, offers lots of training opportunities, has an annual picnic and encourages a team spirit, Dement says. The result: annual employee turnover of less than 2 percent.

Fort Worth lender AmeriCredit, which ranked No. 43, pleased employees with its newsletters and "town halls" with executives.

Dallas-based TDIndustries scored points for offering affordable health insurance. The construction company ranked No. 7 on the list and has made the top 10 for the past six years.

Jessie McCain, TDIndustries' managing director of human resources, says the employee-owned company emphasizes training and encourages its 1,500 workers to grow increasingly autonomous.

The Container Store, which has held *Fortune's* No. 1 or No. 2 spot for the past four years, attracts its top workers with salaries that dwarf the competition. Training is part of the recipe. Employees also have access to as much company information as the board of directors — perks that combine to keep employee turnover low, Chief Executive Kip Tindell says.

That doesn't surprise Popp, who says satisfied employees make good business sense.

"If they're happy to work there, they're going to want to stay working there," she says. "They're going to produce well. They're going to produce more. And you're also going to end up recruiting people. You're going to attract the top candidates out there."

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27 Jan 2003

Alcon

SHLACHTER, PEROTIN, FUQUAY & CO.

Snakebit? Not this ex-CEO

30 May 2005

After a 33-year career at **Alcon,** retired Chief Executive **Tim Sear** returned to the Fort Worth campus last week to receive a bit of attention and applause.

Scores of company employees, friends and family gathered for a ceremony in his honor.

SEAR

As part of the festivities, current Chief Executive **Cary Rayment** dedicated Alcon's new **Tim Sear Training and Education Center** to his predecessor. But that's not all.

RAYMENT

Rayment also announced a less conventional tribute to the avid nature-lover: Alcon's foundation is underwriting a Burmese python exhibit at the **Fort Worth Zoo,** where Sear serves on the board of directors.

That's right, a big snake.

It's slated to join the zoo's reptile collection in 2007.

Sear, who retired in October after about seven years in the chief executive's office, reacted with delight and thanked his former colleagues for the accolades.

"It's nice to have my grandchildren here. They didn't really know what I did," he said. "They knew I was good at catching snakes."

Business
Alcon

Star-Telegram www.star-telegram.com

17 July 2001

Subsidiary of Alcon to settle two lawsuits

Summit Autonomous agrees to pay $25 million

By Trebor Banstetter
Star-Telegram Staff Writer

FORT WORTH — A subsidiary of Alcon Laboratories will pay $25 million to settle two longstanding lawsuits that accused the company of conspiring with a competitor to fix prices on laser eye surgery equipment.

Summit Autonomous, a Waltham, Mass.-based manufacturer of ophthalmic laser systems purchased by Alcon for $894 million in May 2000, was hit with the class-action antitrust suits in the early 1990s. One suit was filed on behalf of doctors, the other on behalf of consumers. The lawsuits also named Visx, a Santa Clara, Calif., maker of optic laser equipment.

The plaintiffs claimed that Summit and Visx had an illegal price-fixing agreement that kept the cost of laser surgery equipment artificially high.

Together, the companies dominate the eye laser market: Visx is the leading manufacturer of optic lasers; Summit is No. 2.

In addition to the $25 million from Alcon, the

(More on ALCON on Page 8C)

Alcon

From Page 1C

plaintiffs will receive $37.8 million from Visx. The settlement pushed Visx to report a $10.7 million loss for the second quarter.

Alcon officials declined to comment on the settlement, although company spokeswoman Mary Dulle pointed out that the suits were filed long before Alcon bought the company, and that executives were aware of the lawsuits when they purchased Summit.

In a written statement, Alcon President and Chief Executive Tim Sear said that while the company believed that there was no basis for the claims, it wanted to close the matter and move on.

Alcon, which has 2,600 employees in Fort Worth, is a wholly owned subsidiary of food company Nestle of Switzerland. It manufactures surgical equipment, intraocular lenses, prescription drugs and contact lens solution.

Summit, which had $111 million in sales in 1999, is a small piece of Alcon, which had $2.55 billion in sales last year. But the subsidiary has allowed Alcon to enter the laser eye surgery market, which has grown rapidly in recent years as technological advances have made the procedure cheaper and less painful.

Laser surgery machines typically sell for about $500,000. The manufacturer also usually receives a fee, generally about $200, for each surgical procedure performed with the equipment.

At the time of its purchase of Summit, analysts noted that Alcon had the potential to increase the company's sales because it could bring global marketing and distribution to an industry that has been dominated by smaller players.

Founded in 1985, Summit was the first company to receive Food and Drug Administration approval for a machine that corrected nearsightedness with lasers. It also became the first commercial manufacturer of the popular Lasik surgery machines in 1999.

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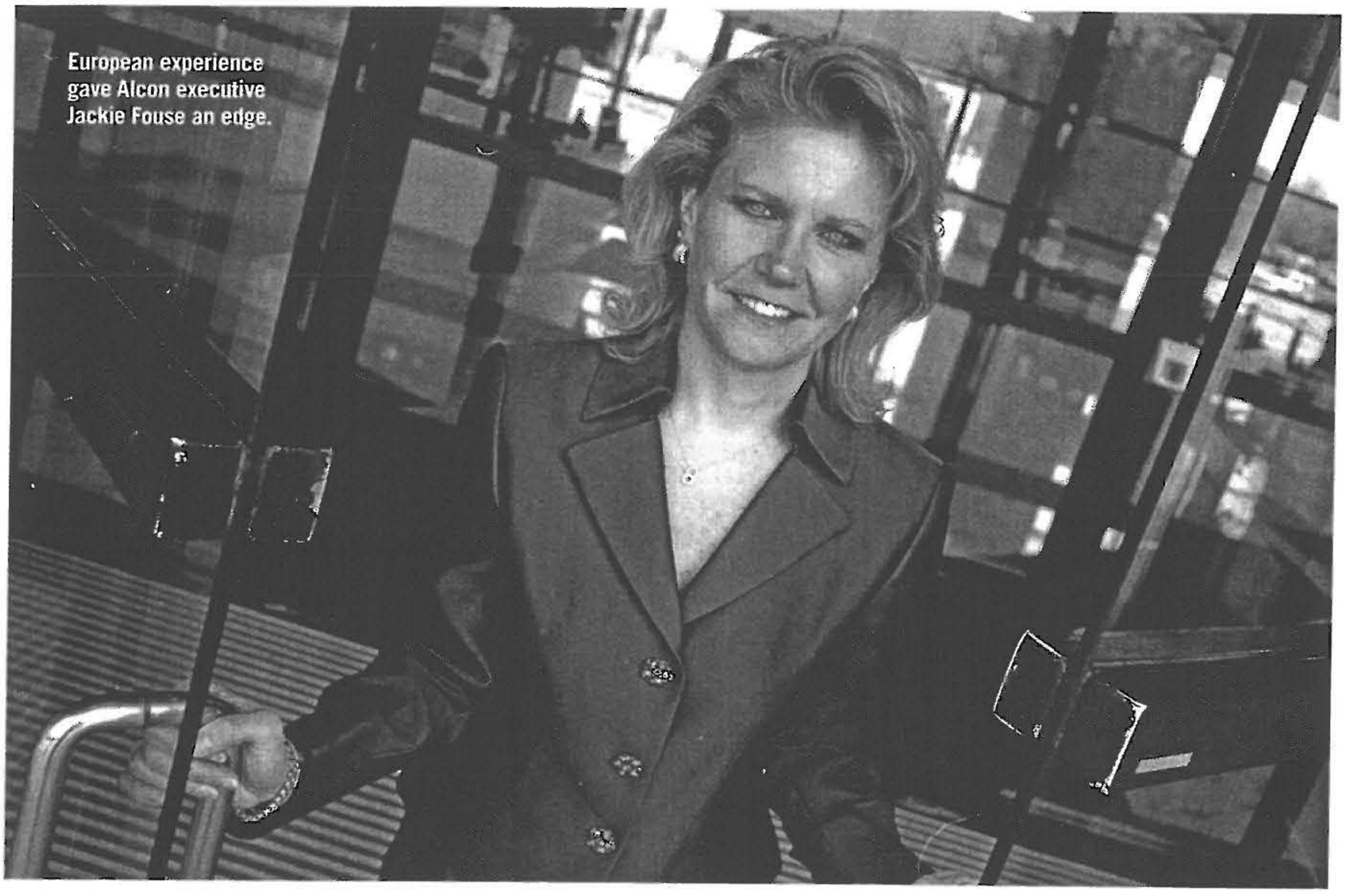


European experience gave Alcon executive Jackie Fouse an edge.

Taking a Foreign Flier

In the global age, an overseas assignment could be just the answer for your résumé

By Justin Ewers

The boss breaks the big news: The company wants you to take an overseas assignment. In Tokyo, say. You'll work there for a few years, and, when you come back, there might even be a promotion in your future. But wait, you ask, what about my husband? My kids? My house! Will this even help my career?

There was a time when the answer to those questions wasn't so clear. People who took international positions 20 years ago often did so at their peril. Sure, the jobs were exciting, and the perks were many—personal drivers, private school for the kids. But overseas executives felt marooned upon their return. They were out of the loop and had trouble moving up the corporate ladder. "People didn't know who you were when you got back," says Richard Sorensen, dean of the Pamplin College of Business at Virginia Tech.

Ah, but the world is smaller now. Business is only getting more global, and companies—from Dell to 3M to Kohler—are scrambling to expand overseas. As many as 400,000 employees relocate internationally each year. "It's probably the single most powerful means of enhancing one's career," says Linda Stroh, a professor of business at Loyola University Chicago.

Case in point: Marriott International. In 1990, the hotel chain had 16 hotels outside the United States and did $317 million in sales abroad. Today, Marriott employs 72,000 people abroad, and its 400 overseas hotels bring in $1.1 billion. To manage this operation, Marriott now uses about 200 expatriates. "Going offshore can be the best thing that can happen to you," says Jim Pilarski, a senior vice president of human resources. "You can get noticed very quickly, rise through the ranks, and move up."

That's certainly what happened to Jackie Fouse. Before she became the CFO at Alcon, one of the largest eye-care products companies in the world, Fouse spent nine years working overseas. She credits her international experience for her meteoric rise from corporate finance manager at Alcon, to treasurer at Nestlé, to the CFO of Swissair—all dramatic moves she made while working in Europe. She is now, at 44, the No. 2 executive at a $4.4 billion global company. "Everything else being equal—educational background, years of experience—that was the thing more than any other that set me apart from other people," she says. Fouse speaks French and German fluently. But she insists it is the subtler management tools—sensitivity, say, to the fact that Europeans prefer a more consensus-based approach to management than Americans do—that makes those with overseas experience more effective.

Short stints. Few executives, it seems, would disagree. Nearly half of the HR professionals surveyed last year by the Worldwide Employee Relocation Council say their companies now have a formal program or system for "career-

DAVID BUTOW—REDUX FOR USN&WR

pathing" employees into senior positions that include one or more international assignments. Overseas stays are being shortened—often to less than a year—so companies can keep a shorter leash on their employees. "If I were to encourage 20- or 30-somethings to do anything, it would be: Sign up for these cross-cultural projects. Be willing to travel," says Laura Kohler, senior vice president of human resources at Kohler, a plumbing, power, and home-interior products company, where international revenues have climbed 30 percent annually since 2001. "In the future, they're that much more likely to be a director, a manager, who has a broad base of experience to draw from when making decisions."

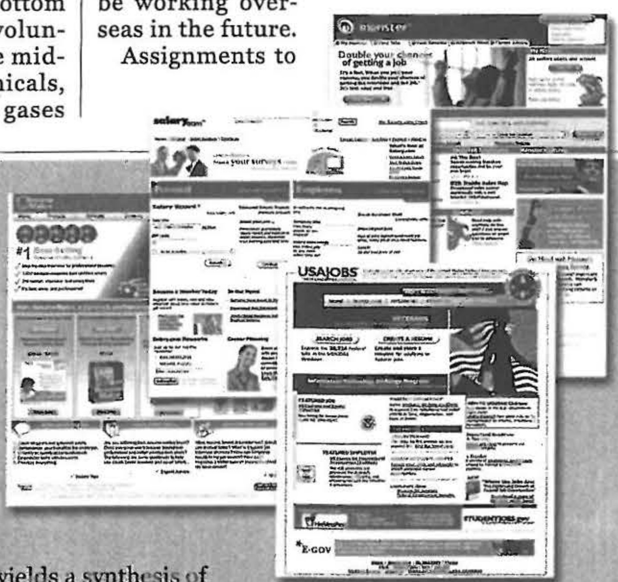
There's no question globally savvy employees can have a huge impact on a business—and not only on its bottom line. When Wayne Hinman volunteered to go to Singapore in the mid-'90s for Air Products and Chemicals, the manufacturer of industrial gases and chemicals was bringing in about $400 million in revenue in Asia. After a four-year stint overseeing the construction of new plants, forming joint ventures, and investing in supply chains, Hinman had pushed revenues closer to $1 billion.

Moving up. More important, though, were the less-quantifiable effects his work had on company strategy. In the 1990s, Air Products' biggest customer was an American company. At the end of this year, though, for the first time, it will probably be Samsung. "We're capturing that shift," says Hinman. He came back to a top executive position at the company and was recently promoted to vice president of global merchant gases; now he spends a lot of his time nurturing young managers who will be working overseas in the future.

Assignments to international positions are still not without their pitfalls. They can be a major strain on dual-career families, and while companies do their best to help spouses find work while they're abroad, 4 out of 5 are still unemployed.

For some expats, of course, the old problem of being warehoused after returning from an overseas assignment lingers. A study published last month by GMAC Relocation Services found that nearly 1 in 4 workers leaves his or her job within one year of returning from an overseas assignment—usually after getting a better offer.

Which, of course, presents those given the opportunity to work overseas with an interesting dilemma: The job may be a strain on your family, your marriage, and your kids. It may, ultimately, even cause you to cut ties with your current employer. But as a career move, in the long run, it's clear: There doesn't seem to be a better choice you can make. ●



Click Here for a New Career

Thousands of websites offer career information. *U.S. News.com* career coach Marty Nemko recommends these:

www.onestopcoach.org A portal to federally funded sites offering quality help. If you need human help, the site links you to a local federal OneStop Career Center.

www.rileyguide.com/prepare.html The best portal for those trying to choose a career.

www.job-hunt.org The best site for those who have a career goal and now are trying to land a job.

www.khake.com This site focuses on careers not requiring a college degree.

www.mylifecoach.com Offers an online version of the Strong Interest Inventory. This 25-minute assessment yields a synthesis of your interests and an annotated list of suitable careers. For $24.95, you receive a comprehensive report and phone interpretation.

www.careervoyages.gov/careercompass-main.com This takes just one minute but can be quite helpful. You simply pick your first, second, and third choices among six interest areas and up pops a tailored list of careers.

www.bls.gov Offering far more than statistics, this site is home to the federal *Occupational Outlook Handbook*. That contains profiles of many careers, each ending with links to additional information.

http://ipl.si.umich.edu/div/subject/browse/ref09.00.00/ This portal links to online directories of professional associations' sites—for example, the American Accounting Association or the National League for Nursing.

Monster.com, CareerBuilder.com, Hotjobs.com, and craigslist.org The odds are tiny that an employer will pick you from among the millions of job seekers who troll here, but the sites do offer discussion groups, which provide tips from the trenches.

Indeed.com and Simply hired.com These sites aggregate job listings from hundreds of employment websites, including the big ones. You can instantly screen over 4 million job listings from one site.

www.usajobs.gov USAJobs contains more than 20,000 federal government job openings. To find even more, you can search the 150-plus federal agency sites individually. A gateway to those sites is **www.firstgov.gov/Agencies/Federal/All_Agencies/index.shtml.**

www.salary.com and salary expert.com These sites estimate salary for hundreds of occupations, adjusted by ZIP code. It's wise to check both sites because they use different sources for their data. Basic reports are free, but there's a $29 charge for those customized based on your experience, the size of the employer, and the characteristics of the particular job.

29 March 2002

Business
Alcon

Tarrant firms join wave of IPO filing

By JIM FUQUAY
STAR-TELEGRAM STAFF WRITER

Tarrant County had direct ties to 20 percent of the nation's 15 initial public offerings during the year's first quarter, when there were relatively few new issues but still about $9 billion was raised.

Two newly public companies, Alcon and GameStop Corp., are based here. Alcon, a maker of ophthalmic medicines and instruments, is in Fort Worth. GameStop, a video game retailer, is in Grapevine.

IPOs Alcon added to the billions it raised when its underwriters on Wednesday exercised an option to issue nearly 7 million additional shares of stock.

Another IPO, Petco Ani-

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mal Supplies of San Diego, Calif., is partly owned by Fort Worth-based Texas Pacific Group, an investment firm headed by one-time Bass financial adviser David Bonderman.

Asbury Automotive Group of Stamford, Conn., also had a Metroplex connection. Asbury has owned the Irving-based David McDavid dealerships since 1997.

One pending IPO, expected to be offered in April, is Lin TV Corp., which is controlled by Dallas-based Hicks, Muse, Tate & Furst.

The 15 IPOs conducted during the year's first three months represented a decrease from the 17 IPOs in the first quarter of 2001 and the 27 IPOs that occurred during the fourth quarter of 2001, according to IPO.com, a New York investment company.

But the $9 billion raised outstripped the $6.9 billion raised in the first quarter of 2001 and was close to the $10.2 billion raised in the last quarter of 2001.

"With a respectable number of solid offerings and a surge in filings, the first-quarter IPO market laid the foundation for second-quarter optimism and a broader recovery in volume by the second half of the year," said Kyle Huske, market analyst at IPO.com.

Alcon was by far the largest local IPO, and it ranked No. 2 among all first-quarter IPOs. Alcon sold 76.7 million shares at $33 a share, or more than $2.5 billion. That includes shares issued March 20 and also nearly 7 million additional shares issued Wednesday, when Alcon's Wall Street underwriters exercised an option to issue the extra shares.

Alcon's IPO proceeds went to parent company Nestle, which still owns 75 percent of the company.

First-quarter IPOs

U.S. initial public offerings for the year's first quarter, with each stock's performance since its issue:

Company (ticker)	Date	Issue price	Percent change First day	Percent change as of March 28
Synaptics (SYNA)	Jan. 28	$11	+19.2%	+56.8%
Carolina Group (GC)	Jan. 31	28	+3.9	+6.9
Zymogenetics (ZGEN)	Jan. 31	12	+0.4	-5.9
ManTech (MANT)	Feb. 7	16	+13.8	+16.3
GameStop (GME)	Feb. 12	18	+11.7	+12.2
PayPal (PYPL)	Feb. 14	13	+54.5	+46.5
Petco (PETL)	Feb. 21	19	+5.3	+24.2
Integrated Defense (IDE)	Feb. 28	22	+13.6	+26.1
Tsakos Energy (TNP)	March 4	15	+0.7	+1.5
Anteon (ANT)	March 11	18	+11.4	+15.6
WCI Communities (WCI)	March 11	19	+19.3	+28.4
Asbury Automotive (ABG)	March 13	16.50	+1.8	-9.2
Alcon (ACL)	March 20	33	+3	+2.6
Travelers Property (TAP/A)	March 21	18.50	+5.7	+8.1
MedSource Tech (MEDT)	March 26	12	+8.3	+8.0

SOURCES: IPO.com, Bloomberg News

STAR-TELEGRAM/DON COOK

The quarter's biggest IPO was Travelers Property-Casualty Corp., which was spun off from Citigroup. It raised $3.9 billion, the fifth-largest IPO ever, according to IPO.com. Alcon was No. 2 during the quarter, but also is one of only 13 IPOs to raise $2.5 billion or more, according to IPO.com.

The largest IPO ever was that of AT&T Wireless, which raised more than $10 billion in 2000.

GameStop raised $325 million, and Petco raised $275.5 million. Asbury raised $127 million and Lin TV hopes to raise about $345 million.

Of the local IPOs, Petco is performing the best, up 23.6 percent from its issue price of $19 on Feb. 21. Alcon closed Thursday at $33.85, up 2.6 percent from its $33 issue price, and GameStop closed at $20.20, up 12.2 percent from its issue price of $18 on Feb. 12.

Perhaps the biggest turnaround of the first quarter was PayPal, an online person-to-person payment network that has become a preferred option for settling online auctions. It was the first Internet-related IPO in nearly a year and one of the few such offerings following the bursting of the Internet bubble in 1999 and 2000.

PayPal, of Palo Alto, Calif., went public at $13 on Feb. 14, and on Thursday closed at $19.05, up 46.5 percent. Still, true to its Internet roots, the company has yet to turn a profit.

The IPO market continues to show signs of recovering, says IPO.com. It counts about three dozen companies that have filed to go public in coming months. And only a handful of IPOs have been withdrawn this year, compared with more than 60 withdrawals during the same period in 2001.

The list of companies expected to go public includes several airline companies. JetBlue Airways, a popular discount airline, is expected to go public in April. Continental Airlines is expected to spin off its ExpressJet unit.

Other airlines are studying whether to take their fast-growing regional affiliates public.

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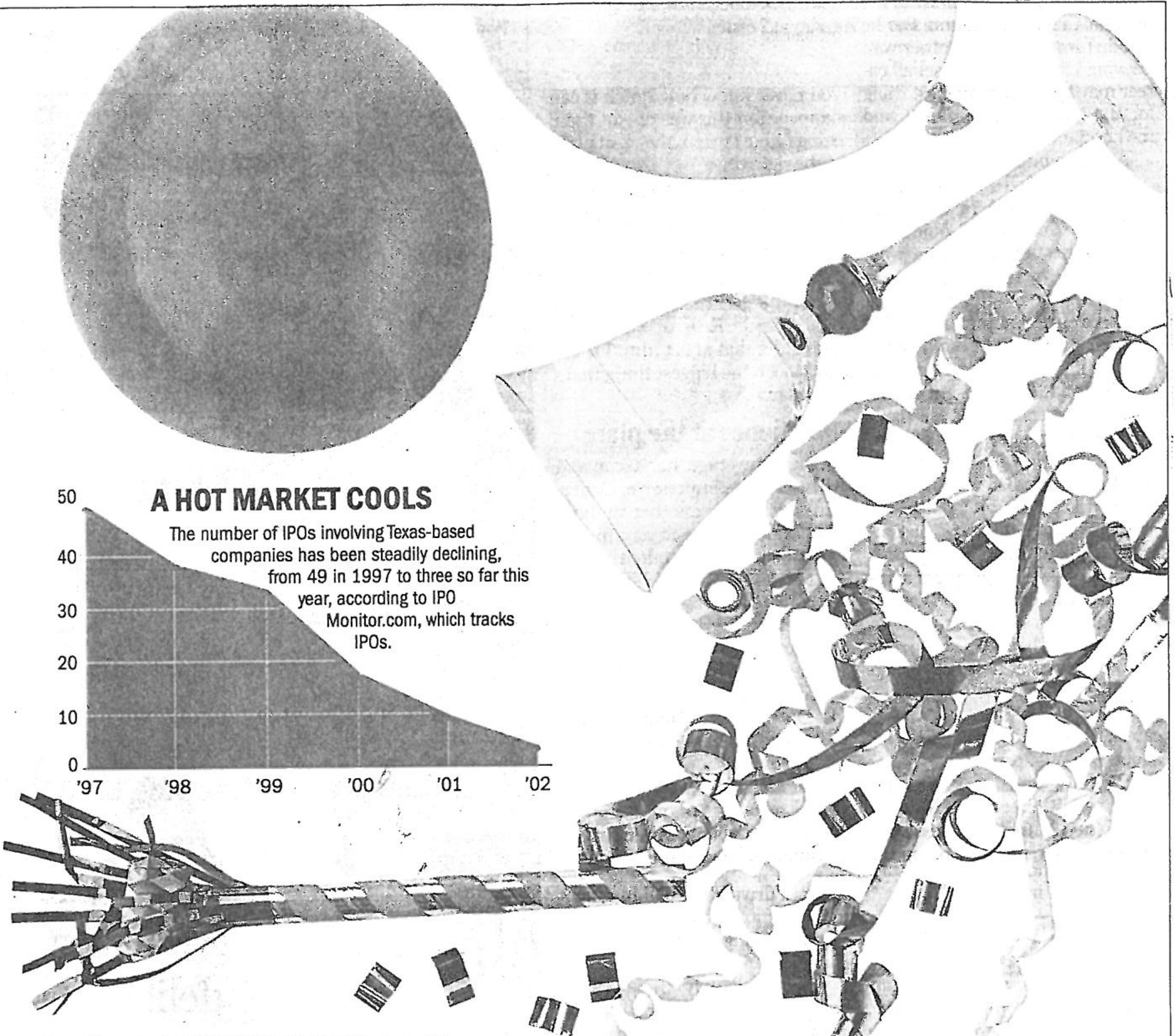

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The IPO party is over

12 June 2002

Only three Texas companies have gone public this year

Investors have lost interest in technology, once a state mainstay

By **BILL DEENER**
Staff Writer

The number of Texas companies going public is going south.

Catching a hot IPO — initial public offering — was once the dream of many investors, particularly the freewheeling, tech-crazed traders of Texas. But today, it's much more likely they'll catch a cold than a hot stock.

The number of IPOs involving Texas-based companies has been steadily declining from 49 in 1997 to nine last year to three so far this year, according to IPO Monitor.com, which tracks IPOs.

The party's virtually over for the state's IPO market, primarily because investors have lost interest in technology, one of the main drivers of the market in the late 1990s.

"Texas had a high concentration of telecommunications and software companies, and telecom especially has been decimated," said Bill Collins, director of corporate finance for Frost Securities Inc. in Dallas.

"It's a difficult market now for substandard companies to go public, which wasn't the case a couple years ago."

Nationally, the story is much the same. In 1999, at the height of the Internet mania, 492 companies went public with the majority involved in technology and the Internet. So far this year, 42 companies have gone public.

"At this rate, we won't even break a hundred IPOs," said Jeff Stacy, managing director of IPO Monitor.com. "If the economy really improves we could do more, but it's getting kind of late in the year."

The three Texas-based IPOs this year involved GameStop Corp., Alcon Inc. and ExpressJet Holdings Inc.

The best performer of the group has been Grapevine-based GameStop, which operates specialty electronic game stores. Its

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IPOs have become scarce in Texas and across nation

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stock was initially offered to the public at $18 a share on Feb. 13 and hit $24 in late May. GameStop shares closed Tuesday at $22.75, a 26 percent gain this year.

"The prospects for this company and the industry are great, and that's why the stock has done so well," said Anthony Rose, a stock analyst for J.P. Morgan & Co. who has a buy rating on the stock.

Mr. Rose predicts that GameStop will hit $27 in the coming months.

Alcon, Nestlé SA's Fort Worth-based eye care subsidiary, raised $2.3 billion when it went public March 21 at $33 a share. It reached a high of almost $39 a share in late May but has since drifted down, closing Tuesday at $35, a 6 percent gain.

ExpressJet, which provides air transportation for passengers, mail and freight, first offered its shares April 18 at $16, but since then the trend has been decidedly downward. It shares closed Tuesday at $13.78, a 14 percent decline.

The dramatic decline in the number of IPOs may have eroded the profits of investment banks — which take a hefty slice out of the proceeds — but there's a positive element to the downturn, according to Mr. Stacy. The quality of the companies going public is generally much better than it was in the late 1990s, he said.

"I think the IPO market is healthier now," Mr. Stacy said. "In 1999, the market was just pushing companies to go public before they were ready."

Some companies were going public just to enrich the insiders, Mr. Stacy said. But now, companies have to justify a need for the outside funding.

Fledgling companies basically have three methods of raising money to expand. They can borrow from banks; they can raise the cash internally through their business operations; or they can issue stock to the public.

GameStop raised $348 million from its IPO and used the proceeds to pay off debt and for working capital, a company spokeswoman said.

It operates more than 1,000 stores under the names GameStop, Babbage's, Software Etc. and FuncoLand.

GameStop fits the profile of an IPO of "excellent quality," Mr. Rose said. It reported first-quarter revenue of $271 million, an increase of 35 percent over the same period last year, and the company actually had net income of $5 million in the first quarter.

"The video game industry in general is looking at 20 percent annual growth," Mr. Rose said. "And GameStop will probably grow at a 27 percent pace."

A few technology companies are scattered among the 42 companies that have gone public nationally so far this year.

In fact, the best performing IPO is PayPal Inc. of Mountain View, Calif., which provides a network for small businesses to send and receive online payments.

PayPal's stock initially traded at $13 a share and closed Tuesday at $25.48, a 96 percent gain.

But by far, the most deals involve the health care/insurance industry, according to Renaissance Capital. The biggest IPO was Travelers Property Casualty Corp., a spinoff of Citigroup Inc., which raised nearly $3.9 billion.

Nine IPOs came from the health care/insurance industry and raised $7.1 billion, or more than half of the $12.68 billion raised so far this year, according to Renaissance. The retail sector, which includes the GameStop IPO, has reported five IPOs that raised $5 billion.

At the same time last year, the flavor of the IPO deals was considerably different, said Kathleen Smith, portfolio manager at Renaissance. Nine energy-related companies had raised $4.16 billion; and seven telecommunications and tech companies had raised $6 billion, which accounted for most of the $12.03 billion raised through May 2001.

"Investors have become more defensive, and that's why you are seeing so much interest now in the health care sector," Ms. Smith said. "It is a nontech IPO market because the growth is not in that sector. They are looking at more traditional industries."

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