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SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common shares, and we cannot predict the effect, if any, that sales of shares or availability of any shares for sale will have on the market price of our common shares prevailing from time to time. Sales of substantial amounts of common shares (including shares issued on the exercise of options, warrants or convertible securities, if any) or the perception that such sales could occur, could adversely affect the market price of our common shares and our ability to raise additional capital through a future sale of securities.

Upon completion of this offering, we will have common shares issued and outstanding, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options. All of the common shares offered by the selling shareholder pursuant to this prospectus will be freely tradable without restriction or further registration under the Securities Act unless such shares are purchased by "affiliates" as that term is defined in Rule 144 under the Securities Act. Upon completion of this offering, approximately % of our outstanding common shares will be beneficially owned by BHC (or % if the underwriters exercise their over-allotment option in full). These shares will be "restricted securities" as that phrase is defined in Rule 144. Subject to certain contractual restrictions, including the lock-up agreements described below, holders of restricted shares will be entitled to sell those shares in the public market if they qualify for an exemption from registration under Rule 144 or any other applicable exemption under the Securities Act, including in compliance with applicable Canadian securities laws. Subject to the lock-up agreements described below and the provisions of Rule 144, additional shares will be available for sale as set forth below. Upon completion of this offering, BHC will have, subject to certain conditions, registration rights with respect to all of our shares that it owns.

Lock-Up Agreements

In connection with this offering, we, our directors, our executive officers, and BHC have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of our common shares or securities convertible into or exercisable or exchangeable for our common shares, file or cause to be filed a registration statement covering common shares or any securities that are convertible into, exercisable or exchangeable for any of our common shares, or publicly disclose the intention to do any of the foregoing, during the period from the date of this prospectus continuing through the date that is 180 days after the date of this prospectus, except with the prior written consent of each of Morgan Stanley & Co. LLC and Goldman Sachs & Co. LLC. For additional information, including regarding certain exceptions to which this agreement is subject, see "Underwriting."

Rule 144

In general, under Rule 144, beginning 90 days after the date of this prospectus, a person who is not our affiliate and has not been our affiliate at any time during the preceding three months will be entitled to sell any of our common shares that such person has beneficially owned for at least six months, including the holding period of any prior owner other than one of our affiliates, without regard to volume limitations. Sales of our common shares by any such person would be subject to the availability of current public information about us if the shares to be sold were beneficially owned by such person for less than one year. Beginning 90 days after the date of this prospectus, our affiliates who have beneficially owned common shares for at least six months, including the holding period of any prior owner other than one of our affiliates, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of common shares then-outstanding, which will equal approximately shares immediately after this offering; and
- the average weekly trading volume in our common shares during the four calendar weeks preceding the date of filing of a Notice of Proposed Sale of Securities Pursuant to Rule 144 with respect to the sale.

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Sales under Rule 144 by our affiliates are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Registration Rights Agreement and The Distribution

Upon completion of this offering, BHC, will beneficially own common shares, and will be entitled to various rights with respect to the registration of these shares under the Securities Act. See "Certain Relationships and Related Party Transactions—Registration Rights Agreement." Registration of these shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates. BHC has indicated that after this offering it may terminate its ownership of our common shares through the Distribution If pursued, the Distribution would be subject to various conditions, including receipt of any necessary regulatory or other approvals, the existence of satisfactory market conditions, and, in the case of a tax-free transaction, an opinion of counsel confirming the tax-free treatment of the transaction to BHC and its shareholders and, if effected by way of a plan of arrangement under applicable corporate law, receipt of applicable shareholder approvals. The conditions to any transaction involved in the Distribution may not be satisfied, or BHC may decide for any reason not to consummate the Distribution. See "Risk Factors—Risks Relating to the Separation—The Distribution may not occur." We are unable to predict whether significant numbers of shares will be sold in the open market or otherwise in anticipation of or following any exchange, distribution or sales of our shares by BHC.

Registration Statement

We intend to file a registration statement on Form S-8 under the Securities Act covering all of our common shares reserved for future issuance under our stock plans. We expect to file this registration statement as soon as practicable after this offering. Upon effectiveness, common shares covered by that registration statement will be eligible for sale in the public market, subject to the lock-up agreements described herein.

Canadian Resale Restrictions

Any sale of any of our common shares which constitutes a "control distribution" under Canadian securities laws (generally a sale by a person or a group of persons holding more than 20% of our outstanding voting securities) will be subject to restrictions under Canadian securities laws in addition to those restrictions noted above, unless the sale is qualified under a prospectus filed with Canadian securities regulatory authorities, is made pursuant to a prospectus exemption, or if prior notice of the sale is filed with the Canadian securities regulatory authorities at least seven days before any sale and there has been compliance with certain other requirements and restrictions regarding the manner of sale, payment of commissions, reporting and availability of current public information about us and compliance with applicable Canadian securities laws.

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MATERIAL DIFFERENCES BETWEEN THE CANADA BUSINESS CORPORATIONS ACT, THE BRITISH COLUMBIA BUSINESS CORPORATIONS ACT AND THE DELAWARE GENERAL CORPORATION LAW

We are governed by the CBCA, which in some cases has a different effect on shareholders than the corporate laws of Delaware. If the Arrangement is implemented as currently anticipated, following completion of the Distribution we will cease to be governed by the CBCA and we will be governed by the *British Columbia Business Corporations Act* ("BCBCA"). This process is governed by applicable corporate law and is referred to as a "continuance."

The following is a summary of the material differences between the CBCA, BCBCA and the DGCL, taking into account certain specific provisions in our articles and our bylaws that will be in effect upon the closing of this offering and upon our continuance under the BCBCA This summary is qualified in its entirety by reference to the DGCL, the BCBCA, the CBCA and our governing corporate documents, including our proposed articles following the Continuance (the "Continuance Articles"). A copy of the Continuance Articles are attached as an exhibit to the Arrangement Agreement.

	Authorized Share Capital	
As permitted by the CBCA and our articles, our authorized share capital consists of an unlimited number of (i) common shares; and (ii) preferred shares. Shares under the CBCA are without par value and our articles set out the rights, qualifications, limitations and restrictions applicable to each current class of our shares.	As permitted by the BCBCA and our Continuance Articles, following the Continuance our authorized share capital will consist of an unlimited number of (i) common shares without par value, with special rights and restrictions attached; and (ii) preferred shares without par value, issuable in series, with special rights and restrictions attached.	Under the DGCL, a corporation's certificate of incorporation must specify the number of shares of each class of stock and their par value, or include a statement that such shares are without par value. The certificate of incorporation must also set forth the designations, powers, preferences, rights, qualifications, limitations and restrictions of each class of shares, if any.
	Amending of Governing Instrument	
Amendment of Articles of Incorporation. Under the CBCA, either a director or a shareholder entitled to vote at an annual or special meeting of shareholders may make a proposal to amend the articles. A proposed amendment to the articles requires approval by special resolution of the shareholders. A special resolution is a resolution passed by not less than two-thirds of the votes cast by the shareholders who voted in respect of the resolution or signed by all shareholders entitled to vote on that resolution. Under the CBCA, the holders of outstanding shares of a class or series are entitled to vote separately on an	As permitted by the BCBCA, under our Continuance Articles, any amendment to the notice of articles or articles generally requires approval by a special resolution of the shareholders. A special resolution is a resolution passed by a special majority of the votes cast by shareholders Under the Continuance Articles, a special majority is two-thirds of the votes cast on the relevant resolution. If the articles do not specify a threshold, a special majority is two-thirds of the votes cast on the relevant resolution. In the event that an amendment to the articles would prejudice or interfere with a right or special right attached to	*Amendment of Certificate of Incorporation*. Generally, under the DGCL, the affirmative vote of the holders of a majority of the outstanding stock entitled to vote is required to approve a proposed amendment to the certificate of incorporation, following the adoption of the amendment by the board of directors of the corporation, provided that the certificate of incorporation may provide for a greater vote. Under the DGCL, holders of outstanding shares of a class or series are entitled to vote separately on an amendment to the certificate of incorporation if the amendment would have certain consequences,

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amendment to the articles of incorporation if the articles would have certain consequences, including increasing or decreasing the number of shares of such class, or changes that affect the rights and preferences of such class or series. *Amendment of By Laws* Under the CBCA, a shareholder entitled to vote at an annual or special meeting of shareholders may make a proposal to make, amend or repeal a by-law. Unless the articles, by-laws or a unanimous shareholder agreement otherwise provide, the directors may, by resolution, make, amend or repeal any by-laws that regulate the business or affairs of the corporation. The directors shall then submit such by-law, or amendment or repeal of such by law, to the shareholders at the next meeting of shareholders, and the shareholders may, confirm, reject or amend the by-law, amendment or repeal by ordinary resolution.	issued shares of a class or series of shares, such amendment must be approved separately by the holders of the class or series of shares being affected by a special resolution.	including changes that adversely affect the rights and preferences of such class or series. *Amendment of By-laws*. Under the DGCL, after a corporation has received any payment for any of its stock, the power to adopt, amend or repeal by-laws shall be vested in the stockholders entitled to vote; provided, however, that any corporation may, in its certificate of incorporation, provide that by-laws may be adopted, amended or repealed by the board of directors. The fact that such power has been conferred upon the board of directors shall not divest the stockholders of the power nor limit their power to adopt, amend or repeal the by-laws.
	Dividends	
Under the CBCA and our articles, dividends may be declared at the sole discretion of the board of directors, subject to any prior rights of the registered holders of any outstanding shares that rank senior to the common shares and provided that we may not declare or pay a dividend if there are reasonable grounds for believing that: (a) we are, or would after the payment be, unable to pay our liabilities as they become due; or (b) the realizable value of our assets would thereby be less than the aggregate of our liabilities and stated capital.	Under the BCBCA and our Continuance Articles, dividends may be declared at the sole discretion of the board of directors. Any dividends declared shall be subject to the rights, if any, of shareholders holding shares with special rights as to dividends. Dividends may not be declared if there are reasonable grounds for believing that the Company is insolvent or the payment of such dividends would render the Company insolvent.	The DGCL generally provides that, subject to certain restrictions, the directors of a corporation may declare and pay dividends upon the shares of its capital stock either out of the corporation's surplus or, if there is no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Further, the holders of preferred or special stock of any class or series may be entitled to receive dividends at such rates, on such conditions and at such times as stated in the certificate of incorporation.
	Number and Election of Directors	
Under the CBCA, the shareholders of a corporation elect directors by ordinary resolution at each annual meeting of shareholders at which	Under the BCBCA, a company must have at least one director and, in the case of a public company, must have at least three	Under the DGCL, the board of directors must consist of at least one person, and the number of directors is generally fixed by, or

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such an election is required Neither our articles, bylaws nor the CBCA provide for cumulative voting. Following the coming into force of new amendments to the CBCA (which may occur in 2022), the CBCA will require that in an uncontested election of directors at a shareholder meeting, the directors must be elected on an individual basis by majority vote.	directors Our Continuance Articles permit our Board of Directors to set the number of directors. Succeeding directors must be elected and appointed in accordance with the BCBCA and the articles of the company.	in the manner provided in, the by laws of the corporation, unless the certificate of incorporation fixes the number of directors, in which case a change in the number of directors shall be made only by amendment of the certificate. The board of directors may be divided into three classes of directors, with one-third of each class subject to election by the stockholder each year after such classification becomes effective.
	Term of Director Election	
Under the CBCA, directors of a distributing corporation such as the Company may only be elected for a term ending not later than the close of the next annual meeting of shareholders. There is no limit to the number of terms a director may serve.	Under the BCBCA and the Continuance Articles, directors of the Company may only be elected for a term ending not later than the close of the next annual meeting of shareholders.	Under the DGCL, directors hold office until a successor is elected and qualified at the next annual meeting, except in the case of classified boards.
	Removal of Directors	
Under the CBCA, provided that articles of a corporation do not provide for cumulative voting (which ours do not), shareholders of the corporation may, by ordinary resolution passed at a special meeting, remove any director or directors from office.	As permitted under the BCBCA, our Continuance Articles provide that a director may be removed before the expiration of the director's term by a special resolution of shareholders. Our Continuance Articles also provide that the directors may remove any director before the expiration of such director's term if the director is convicted of an indictable offence or if the director ceases to be qualified to act as a director.	Under the DGCL any director may be removed, with or without cause, by the affirmative vote of a majority of the shares then entitled to vote at an election of directors, unless the board is classified, cumulative voting is permitted by the certificate of incorporation or the certificate of incorporation provides otherwise.
	Vacancies on the Board of Directors	
Under the CBCA, if a meeting of shareholders fails to elect the number or the minimum number of directors required by reason of the lack of consent, disqualification, incapacity or death of any candidates, the directors elected at that meeting may exercise all the powers of the directors if the number of directors so	Under the BCBCA, filling vacancies on the board of directors will depend on whether a director was removed or if there is a casual vacancy. If the director was removed, the position can be filled by the shareholders at the shareholder meeting where the director is removed. If there is a casual vacancy, such vacancy can	Under the DGCL, vacancies and newly created directorships resulting from an increase in the authorized number of directors, may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

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elected constitutes a quorum, except as otherwise provided in the CBCA. The CBCA also provides that a vacancy created by the removal of a director may be filled at the meeting of the shareholders at which the director is removed or, if not so filled, may be filled by a quorum of directors.	be filled by the remaining directors	
	Qualifications of Directors	
Under the CBCA, directors must (i) be 18 years of age or older, (ii) be capable of managing the director's own affairs, (iii) have no undischarged bankruptcy and (iv) not be convicted of an offence in connection with the promotion, formation or management of a corporation or unincorporated business or of an offence involving fraud. In addition, the CBCA requires that at least 25% of directors of a CBCA corporation must be resident Canadians and where the number of directors is fewer than four, at least one director must be a resident Canadian.	Under the BCBCA, the general qualifications to serve as a director are substantially similar to the CBCA. However, directors are not required to be residents of British Columbia or Canada.	Under the DGCL, directors are not required to be residents of Delaware or the United States.
	Shareholder Proposals	
Under the CBCA, persons who have been the registered holder or beneficial owner of at least 1% of the outstanding shares of the corporation or shares with a fair market value of at least $2,000 for at least six months (or have the support of persons who together have held such number of outstanding shares) may make proposals that must, subject to certain exceptions, be included in the corporation's proxy circular together with a supporting statement of not more than 500 words. Such a proposal may include nominations for the election of directors of the corporation where the	Under the BCBCA, a person submitting a proposal must have been the registered or beneficial owner of one or more voting shares for an uninterrupted period of at least two years before the date of the signing of the proposal. In addition, the proposal must be signed by shareholders who, together with the submitter, are registered or beneficial owners of (i) at least 1% of the company's voting shares, or (ii) shares with a fair market value exceeding an amount prescribed by regulation Our Continuance Articles contain advance notice provisions	Under the DGCL, the bylaws of a corporation may include provisions respecting the nomination of directors or proposals by stockholders, including requirements for advance notice to the corporation.

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proposal is submitted by a person (or group of persons) holding not less than 5% of the shares (or of a class of shares) entitled to vote at the meeting to which the proposal is to be presented. Our by-laws contain advance notice provisions respecting the nomination of directors and the proposing of the business.	respecting the nomination of directors	
	Required Vote for Certain Transactions	
Under the CBCA, certain extraordinary corporate actions, such as continuances, certain amalgamations, sales, leases or other dispositions of all, or substantially all of, the property of a corporation (other than in the ordinary course of business), liquidations, dissolutions and certain arrangements, are required to be approved by special resolution of shareholders.	Under the BCBCA, certain extraordinary corporate actions, such as continuances, certain amalgamations, sales, leases or other dispositions of all, or substantially all of, the undertaking of a company (other than in the ordinary course of business), liquidations, dissolutions and certain arrangements, are required to be approved by a special resolution of shareholders.	Generally, under the DGCL, certain mergers, consolidation, sale, lease, exchange or other disposition of all, or substantially all, the property and assets of a corporation or dissolution of the corporation requires the approval of a majority of the outstanding voting stock of the corporation entitled to vote thereon.
	Quorum of Shareholders	
Our bylaws provide that a quorum for general meetings of shareholders requires that holders present and holding or representing by proxy not less than 25% of the total number of issued and outstanding shares of the Company having voting rights at such meeting	As permitted under the BCBCA, our Continuance Articles will provide for quorum requirements that are substantially similar to those under the CBCA.	Under the DGCL, unless otherwise provided in the certificate of incorporation, with respect to any matter, a quorum for a meeting of stockholders requires the holders of a majority of the shares entitled to vote are represented at the meeting in person or by proxy.
	Shareholder Access to Corporate Records	
Under the CBCA, shareholders, creditors, and their representatives, after giving the required notice, may examine certain of the records of a corporation during usual business hours and take extracts free of charge.	Under the BCBCA, specified books and records of the company must be available for inspection by any of our shareholders at the registered and records office.	Under the DGCL, a stockholder of record has the right to inspect the books and records of the corporation, provided that such inspection is for a proper purpose which is reasonably related to such stockholder's interest as a stockholder.
	Call and Notice of Stockholder Meetings	
Our bylaws provide that any shareholder meeting may be held at	In accordance with the BCBCA, our Continuance Articles provide	Under the DGCL, an annual or special stockholder meeting is

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any location within Canada or the United States as the board of directors may determine in their discretion. Notice of the time and place of a meeting of shareholders must be sent at least 21 days and not more than 60 days before the meeting to each shareholder entitled to vote at the meeting,

Under the CBCA, the directors have the power at any time to call a special meeting of shareholders. The holders of not less than 5% of the issued shares of the corporation that carry the right to vote at a meeting sought to be held can also requisition the directors to call a meeting of shareholders for the purposes stated in the requisition.

that an annual general meeting must be held at least once in each calendar year, and not more than 15 months after the last annual reference date, at such time and place as may be determined by the directors. An annual meeting of shareholders may be held at a location outside British Columbia if the location for the meeting is provided for in the articles or, if the articles do not restrict the company from holding a meeting outside of British Columbia, at a location approved as required by the articles (and if not so specified then as approved by ordinary resolution of the shareholders). Our Continuance Articles permit the directors to approve a location for the annual general meeting that is outside of British Columbia. We must provide notice of the annual general meeting to each shareholder entitled to attend the meeting, to each director and to the auditor of the company at least 21 days but not more than two months before the meeting date.

Under our Continuance Articles, our directors have the power at any time to call a meeting of shareholders Under the BCBCA, the holders of not less than 5% of the issued shares of a company that carry the right to vote at a general meeting may requisition the directors to call a meeting of shareholders.

held on such date, at such time and at such place as may be designated by the board of directors or any other person authorized to call such meeting under the corporation's certificate of incorporation or by-laws.

If an annual meeting for election of directors is not held on the date designated or an action by written consent to elect directors in lieu of an annual meeting has not been taken within 30 days after the date designated for the annual meeting, or if no date has been designated, for a period of 13 months after the later of the last annual meeting or the last action by written consent to elect directors in lieu of an annual meeting, the Delaware Court of Chancery may summarily order a meeting to be held upon the application of any stockholder or director.

Special meetings of the stockholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the by-laws.

Interested Director Transactions

Under the CBCA, a director who has a conflict of interest in any material contract or material transaction must promptly disclose the nature and extent of the conflict and may not vote on any board resolutions to approve such contract or transaction, subject to certain exceptions under the CBCA. Excluded directors will,

Under the BCBCA and Continuance Articles, a director who holds a disclosable interest in a contract or transaction may not vote on any directors' resolution to approve such contract or transaction unless all directors have a disclosable interest, in which case any or all of the

Under the DGCL, a transaction in which a director of the corporation has a conflict of interest is not void or voidable solely because of the director's conflict, solely because the director is present at or participates in the meeting of the board of directors or committee which authorizes the

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however, count for purposes of quorum A director is liable to account to the corporation for any profit that accrues to the director under or as a result of the interested contract or transaction.	directors may vote Excluded directors will, however, count for the purposes of quorum. A director or senior officer is liable to account to the company for any profit that accrues to the director or senior officer under or as a result of the interested contract or transaction.	transaction or solely because any such director's vote is counted for such purpose, if (a) the material facts of the conflict of interest are known to or disclosed to the board of directors or the committee and the board of directors or committee in good faith authorizes the transaction by a majority of the votes of the disinterested directors, (b) the material facts of the conflict of interest are known or disclosed to the stockholders of the corporation and the transaction is approved in good faith by the stockholders, or (c) the board of directors can demonstrate that the transaction is fair as to the corporation as of the time it is approved by the board of directors, committee or stockholders.
Directors' and Officers' Liability and Indemnification		
Under the CBCA, a corporation may indemnify a director or officer, a former director or officer or a person who acts or acted at the corporation's request as a director or officer or an individual acting in a similar capacity of another entity (an "indemnifiable person"), against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal, administrative, investigative or other proceeding in which he or she is involved because of that association with the corporation or other entity, if: (1) the individual acted honestly and in good faith with a view to the best interests of such corporation (or the other entity, as the case may be) and (2) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the individual's conduct was lawful.	Our Continuance Articles provide that we must indemnify all eligible parties (which includes our current and former directors and officers), and such person's heirs and legal personal representatives, as set out in the BCBCA, against all eligible penalties to which such person is or may be liable, and we must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. In addition, we may indemnify any other person in accordance with the BCBCA.	Under the DGCL, a corporation has the power to indemnify any person who was, is or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, or any person who was, is or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor, in each case by reason of the fact that the person is or was a director, office, employee or agent of the corporation, against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interest of the corporation,

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An indemnifiable person may require the corporation to indemnify the individual in respect of all costs, charges and expenses reasonably incurred by the individual in
connection with the defense of any civil, criminal, administrative, investigative or other proceeding to which the individual is subject because of the individual's association with the corporation (or other entity, as the case may be) if the individual was not judged by the court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done and the individual fulfills the conditions set out in (1) and (2) above. A corporation may, with the approval of a court, also indemnify an indemnifiable person against all costs, charges and expenses in respect of an action by or on behalf of the corporation or other entity to procure a judgment in its favor, to which such person is made a party by reason of being or having been a director or an officer of the corporation or other entity, if he or she fulfills the conditions set forth in (1) and (2), above.

and subject to certain other limitations

Derivative Actions

Under the CBCA, a "complainant", which includes a current or former shareholder (including a beneficial shareholder), director or officer of a corporation or its affiliates (or former director or officer of the corporation or its affiliates) and any other person who, in the discretion of the court, is an appropriate person, may make an application to court to bring an action in the name and on behalf of a corporation or any of its subsidiaries, or intervene in an action to which any such body corporate is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of the body corporate (a derivative action).

Under the BCBCA, a shareholder, defined for derivative actions to include a former shareholder, a beneficial shareholder and any other person whom a court considers to be an appropriate person to make an application under the BCBCA, or a director of a company may, with leave of the court, bring a legal proceeding in the name and on behalf of the company to enforce an obligation owed to the company that could be enforced by the company itself, or to obtain damages for any breach of such an obligation. An applicant may also, with leave of the court, defend a legal

Under the DGCL, a stockholder may bring a derivative action on behalf of a corporation to enforce the corporation's rights if he or she was a stockholder at the time of the transaction which is the subject of the action. Additionally, under Delaware case law, a stockholder must have owned stock in the corporation continuously until and throughout the litigation to maintain a derivative action. Delaware law also requires that, before commencing a derivative action, a stockholder must make a demand on the directors of the corporation to assert the claim, unless such

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	proceeding brought against a company	demand would be futile A stockholder also may commence a class action suit on behalf of himself or herself and other similarly situated stockholders where the requirements for maintaining a class action have been met.
	Oppression Remedy	
The CBCA provides an oppression remedy that enables a court to make any order, whether interim or final, to rectify matters that are oppressive or unfairly prejudicial to any shareholder, which includes a beneficial shareholder or any other person who, in the court's discretion, is a proper person to make such an application. The oppression remedy provides the court with very broad and flexible powers to intervene in corporate affairs to protect shareholders and other applicants.	The BCBCA provides an oppression remedy that enables a court to make any order, whether interim or final, to rectify matters that are oppressive or unfairly prejudicial to any shareholder, which includes a beneficial shareholder or any other person who, in the court's discretion, is a proper person to make such an application. The oppression remedy provides the court with very broad and flexible powers to intervene in corporate affairs to protect shareholders and other applicants.	The DGCL does not expressly provide for a similar remedy.

Other Effects of the Continuance

If we continue under the BCBCA as currently anticipated, the BCBCA provides that when a "foreign corporation" (which would include the Company prior to its continuance) continues under such legislation:

(a) the property, rights and interests of the foreign corporation continue to be the property, rights and interests of the company;

(b) the company continues to be liable for the obligations of the foreign corporation;

(c) an existing cause of action claim or liability to prosecution is unaffected;

(d) a legal proceeding being prosecuted or pending by or against the foreign corporation may be prosecuted or its prosecution may be continued, as the case may be, by or against the company; and

(e) a conviction against, or a ruling, order or judgment in favor of or against, the foreign corporation may be enforced by or against the company

Our continuance will not affect our status as a listed company on the NYSE or the TSX.

As of the effective date of the Continuance, our then-current articles and by-laws under the CBCA, will be replaced with a notice of articles and articles under the BCBCA. The jurisdiction of incorporation of Bausch + Lomb will be the Province of British Columbia and Bausch + Lomb will no longer be subject to the provisions of the CBCA.

We currently anticipate that the Continuance will be effected as part of the Plan of Arrangement, however, its implementation and terms are subject to the terms and conditions of the Arrangement Agreement and the Continuance may not occur on the timeline currently anticipated or at all

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MATERIAL U S FEDERAL INCOME TAX CONSIDERATIONS

The following is a description of the material U.S. federal income tax consequences to U.S. Holders, as defined below, of owning and disposing of common shares. It does not set forth all tax considerations that may be relevant to a particular person's decision to acquire common shares. This section is general in nature and does not address tax consequences arising under any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or the laws of any state, local or non-U.S. taxing jurisdiction.

This section applies only to a U.S. Holder that holds common shares as capital assets for U.S. federal income tax purposes. In addition, it does not set forth all of the U.S. federal income tax consequences that may be relevant in light of the U.S. Holder's particular circumstances, including alternative minimum tax consequences, the potential application of the provisions of the Code known as the Medicare contribution tax and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities who use a mark-to-market method of tax accounting;
- persons holding common shares as part of a hedging transaction, straddle, wash sale, conversion transaction or other integrated transaction or persons entering into a constructive sale with respect to the common shares;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- pass-through entities (*e.g.*, S corporations, partnerships or entities classified as partnerships for U.S. federal income tax purposes) or investors who hold common shares through pass-through entities;
- tax-exempt entities, including an "individual retirement account" or "Roth IRA;"
- persons required for U.S. federal income tax purposes to conform the timing of income accruals with respect to the common shares to their financial statements under Section 451(b) of the Code;
- persons that own or are deemed to own 10% or more of our shares (by vote or value); or
- persons holding common shares in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds common shares, the U.S. federal income tax treatment of a partner will depend on the status of the partner and the activities of the partnership. Partnerships considering an investment in common shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of owning and disposing of the common shares.

This section is based on the Code, administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations, and the income tax treaty between Canada and the United States (the "Treaty") all as of the date hereof, any of which is subject to change or differing interpretations, possibly with retroactive effect.

As used herein, the term "U.S. Holder" is a holder who, for U.S. federal income tax purposes, is a beneficial owner of common shares, and is eligible for the benefits of the Treaty, and is:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized under the laws of the United States, any state thereof or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

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U S Holders should consult their tax advisers concerning the U S federal, state, local and non U S tax consequences of owning and disposing of common shares in their particular circumstances.

Taxation of Distributions

Subject to the passive foreign investment company rules described below, any distributions (which include any amounts withheld in respect of the distributions) paid on common shares, other than certain *pro rata* distributions of common shares, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles) and included in a U.S. Holder's income on the date of the U.S. Holder's receipt of the dividend. Any distributions in excess of current and accumulated earnings and profits will be treated first as a tax free return of capital to the extent of the U S Holder's adjusted tax basis in the common shares and then as capital gain Because we do not maintain calculations of our earnings and profits in accordance with U.S. federal income tax principles, U.S. Holders should assume that any distribution by us with respect to the common shares will constitute ordinary dividend income.

Subject to the passive foreign investment company rules described below and certain holding-period requirements, for so long as our common shares are listed on the NYSE or another established securities market in the United States or we are eligible for benefits under the Treaty, any dividends paid to non-corporate U.S. Holders generally will be eligible for taxation as "qualified dividend income," which is taxable at rates not in excess of the long-term capital gain rate applicable to such U.S. Holders. Any such dividends will not be eligible for the dividends-received deduction available to U.S. corporations under the Code. U.S. Holders should consult their tax advisers regarding the availability of the reduced tax rate on dividends in their particular circumstances. For U.S. foreign tax credit purposes, any dividend generally will be treated as foreign-source dividend income and will generally constitute passive category income. U.S. Holders should consult their tax advisers regarding the availability of the U.S. foreign tax credit under their particular circumstances.

Sale or Other Disposition of Common Shares

Subject to the passive foreign investment company rules described below, any gain or loss realized on the sale or other disposition of common shares will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder held the common shares for more than one year. The amount of any such gain or loss will equal the difference, if any, between the U.S. Holder's adjusted tax basis in such common shares and the amount realized on the disposition. Any long term capital gain recognized by a non-corporate U.S. Holder may be eligible for reduced rate of taxation. The deductibility of capital losses is subject to limitations. Any gain recognized by a U.S. Holder on the sale or other disposition of common shares generally will be treated as U.S. source gain for U.S. foreign tax credit purposes.

Passive Foreign Investment Company Rules

Under the Code, we will be a passive foreign investment company (a "PFIC") for any taxable year in which, after the application of certain "look-through" rules with respect to subsidiaries, either (i) 75% or more of our gross income consists of "passive income," or (ii) 50% or more of the average quarterly value of our assets consist of assets that produce, or are held for the production of, "passive income." For purposes of the above calculations, we will be treated as if we hold our proportionate share of the assets of, and receive directly our proportionate share of the income of, any other corporation in which we directly or indirectly own at least 25%, by value, of the shares of such corporation. Passive income includes, among other things, interest, dividends, rents, certain non-active royalties and capital gains.

Based on our current operations, income, assets and certain estimates and projections, including as to the relative values of our assets, we do not expect to be a PFIC for the current taxable year or in the foreseeable future.

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If we were a PFIC for any taxable year during which a U.S. Holder holds common shares, we would continue to be treated as a PFIC with respect to that U.S. Holder for all succeeding years during which the U.S. Holder holds common shares, even if we ceased to meet the threshold requirements for PFIC status, unless the U.S. Holder makes a valid deemed sale or deemed dividend election under the applicable Treasury regulations with respect to its common shares.

If we were a PFIC for any taxable year during which a U.S. Holder held common shares, gain recognized by a U.S. Holder on a sale or other disposition (including certain pledges) of the common shares would be allocated ratably over the U.S. Holder's holding period for the common shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate imposed on ordinary income in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the amount allocated to that taxable year Further, to the extent that any distribution received by a U.S. Holder on its common shares exceeds 125% of the average of the annual distributions on the common shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, described immediately above. Certain elections may be available to a U.S. Holder which would result in different tax consequences from those described above.

In addition, if we were a PFIC or, with respect to a particular U.S. Holder, were treated as a PFIC for the taxable year in which we paid a dividend or for the prior taxable year, the preferential dividend rates discussed above with respect to dividends paid to non-corporate U.S. Holders would not apply.

If a U.S. Holder owns common shares during any year in which we are a PFIC, the U.S. Holder generally must file annual reports, containing such information as the U.S. Treasury may require on IRS Form 8621 (or any successor form) with respect to us, with the U.S. Holder's federal income tax return for that year, unless otherwise specified in the instructions with respect to such form.

U.S. Holders should consult their tax advisers concerning the application of the PFIC rules in their particular circumstances in the event that we are or become a PFIC.

Information Reporting and Backup Withholding

Payments of dividends and proceeds from sales or other dispositions of common shares that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

Reporting With Respect to Foreign Financial Assets

Certain U.S. Holders who are individuals and certain entities may be required to report information relating to an interest in our common shares by filing a Form 8398 with their U.S. federal income tax return, subject to certain exceptions (including an exception for common shares held in accounts maintained by certain U.S. financial institutions). Failure to file a Form 8398 where required can result in significant monetary penalties and the extension of the relevant statute of limitations with respect to all or a part of the relevant U.S. tax return. U.S. Holders should consult their tax advisers regarding this reporting requirement.

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CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary, as of the date hereof, of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a holder who acquires as beneficial owner common shares pursuant to this Offering and who, for purposes of the Tax Act and at all relevant times: (a) acquires and holds the common shares as capital property; (b) deals at arm's length with the Company, BHC and the Underwriters; and (c) is not affiliated with the Company, BHC or any Underwriter (a "Holder"). A common share will generally be capital property to a Holder provided the Holder does not acquire or hold such common share in the course of carrying on a business or as part of an adventure or concern in the nature of trade.

This summary is based on the facts set out in this prospectus, the current provisions of the Tax Act, the *Income Tax Regulations* (Canada) (the "Regulations") and the current administrative practices of the CRA published in writing by the CRA prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) ("Tax Proposals") before the date of this prospectus and assumes that all Tax Proposals will be enacted in the form proposed. However, no assurance can be given that the Tax Proposals will be enacted in the form proposed or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account or anticipate any changes in law or administrative policies or assessing practices, whether by legislative, regulatory, administrative or judicial decision or action, nor does it take into account provincial, territorial, or foreign income tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations discussed herein.

This summary is not applicable to a Holder (a) that is a "financial institution" for purposes of the mark to market rules in the Tax Act; (b) an interest in which would be, or whose common shares are, a "tax shelter investment," as defined in the Tax Act; (c) that is a "specified financial institution," as defined in the Tax Act; (d) that has made a functional currency reporting election under the Tax Act to report its "Canadian tax results" as defined in the Tax Act in a currency other than Canadian currency; (e) that has entered into or will enter into a "derivative forward agreement" or a "synthetic disposition arrangement," as defined in the Tax Act, in respect of our common shares; or (f) that receives dividends on our common shares under or as part of a "dividend rental arrangement," as defined in the Tax Act. Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada, and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of our common shares, controlled by a non-resident person or, if no single non-resident person has or acquires control, a group of persons (comprised of any combination of non-resident corporations, non-resident individuals or non-resident trusts) that do not deal at arm's length for purposes of the "foreign affiliate dumping" rules in section 212 3 of the Tax Act Such Holders should consult their own tax advisors regarding the federal income tax consequences of acquiring, holding and disposing of common shares.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representations concerning the tax consequences to any particular Holder or prospective Holder are made. Accordingly, prospective Holders should consult their own tax advisors with respect to an investment in our common shares having regard to their particular circumstances.

Residents of Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for the purposes of the Tax Act, is, or is deemed to be, resident in Canada (a "Resident Holder"). Certain Resident Holders whose common shares might not otherwise qualify as capital property may, in certain circumstances, make an irrevocable election pursuant to subsection 39(4) of the Tax Act to have his, her or its common shares, and every other "Canadian security," as defined in the Tax Act, owned by such Holder in the taxation year of the election and in all subsequent taxation years, deemed to be capital property. Such holders whose common shares might

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not otherwise be considered to be capital property should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Tax Act is available or advisable in their own circumstances.

Dividends on Common Shares

Dividends received (or deemed to be received) on a Common Share by a Resident Holder who is an individual (other than certain trusts) must be included in computing such Resident Holder's income and will be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit in respect of dividends designated by the Company as "eligible dividends." There may be limitations on the ability of the Company to designate dividends as "eligible dividends "

Dividends received (or deemed to be received) by a Resident Holder who is an individual (including certain trusts) may result in such Resident Holder being liable for alternative minimum tax under the Tax Act. Resident Holders who are individuals (including certain trusts) should consult their own tax advisors in this regard.

Dividends received (or deemed to be received) on a Common Share by a Resident Holder that is a corporation must be included in computing such Resident Holder's income for the taxation year and will generally also be deductible in computing such Resident Holder's taxable income for that taxation year. In certain circumstances, subsection 55(2) of the Tax Act may deem some or all of a taxable dividend to be proceeds of disposition or a gain from the disposition of capital property rather than a dividend, in which case the rules described below under "Taxation of Capital Gains and Capital Losses" would apply. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a "private corporation" or a "subject corporation," each as defined in the Tax Act, will generally be liable under Part IV of the Tax Act to pay an additional tax that is refundable in certain circumstances, on dividends received, or deemed to be received, on a Common Share to the extent such dividends are deductible in computing the Resident Holder's taxable income for the taxation year.

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" may be liable to pay an additional refundable tax on its "aggregate investment income" (as defined in the Tax Act) which includes dividends or deemed dividends that are not deductible in computing taxable income.

Disposition of Common Shares

Upon a disposition or deemed disposition of common shares (other than to the Company, unless purchased by the Company in the open market in the manner in which shares are normally purchased by any member of the public in the open market), a capital gain (or capital loss) will generally be realized by a Resident Holder to the extent that the proceeds of disposition are greater (or less) than the aggregate of the adjusted cost base of the common shares to the Resident Holder immediately before the disposition and any reasonable costs of disposition.

The adjusted cost base of a Common Share to a Resident Holder will be determined in accordance with certain rules in the Tax Act by averaging the cost to the Resident Holder of a Common Share with the adjusted cost base of all other common shares held by the Resident Holder and by making certain other adjustments required under the Tax Act. The Resident Holder's cost for purposes of the Tax Act of common shares will include all amounts paid or payable by the Resident Holder for the common shares, subject to certain adjustments under the Tax Act.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "taxable capital gain") realized by a Resident Holder in a taxation year must be included in computing the Resident Holder's income for the year. Subject to and in accordance with

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the provisions of the Tax Act, a Resident Holder is required to deduct one half of any capital loss (an "allowable capital loss") realized in a taxation year from taxable capital gains realized in that taxation year. Allowable capital losses in excess of taxable capital gains for the taxation year of disposition may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent year against net taxable capital gains realized in such years, to the extent and under the circumstances specified in the Tax Act.

If the Resident Holder is a corporation, any such capital loss realized on the sale of a Common Share may be reduced by the amount of any dividends received or deemed to be received by the Resident Holder on such Common Share to the extent and in circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns common shares, directly or indirectly through a partnership or a trust. Such Resident Holders should consult their own tax advisors in this regard.

A Resident Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional tax, which may be refundable in certain circumstances, on "aggregate investment income" (as defined in the Tax Act), which includes taxable capital gains.

Non-Residents of Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for the purposes of the Tax Act and any applicable income tax treaty or convention is not, and is not deemed to be, resident in Canada and does not use or hold (and is not deemed to use or hold) the common shares in, or in the course of, carrying on a business or part of a business carried on in Canada (a "Non-Resident Holder"). This summary does not apply to a Non-Resident Holder that carries on an insurance business in Canada and elsewhere or that is an "authorized foreign bank" (as defined in the Tax Act) and such holders should consult their own tax advisors.

Dividends on Common Shares

Dividends paid or credited, or deemed to be paid or credited, on a Common Share to a Non-Resident Holder will generally be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend, subject to any reduction in the rate of withholding to which such Non-Resident Holder may be entitled under an applicable income tax treaty or convention between Canada and the Non-Resident Holder's country of residence. For example, the rate of withholding tax applicable to a dividend paid on a Common Share to a Non-Resident Holder that is the beneficial owner of the dividend and who is a resident of the United States for purposes of, and is fully entitled to the benefits of, the Canada U.S. Income Tax Convention (1980), will generally be reduced to 15%. Non-Resident Holders should consult their own tax advisors in this regard.

Disposition of Common Shares

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition or deemed disposition of a Common Share and capital losses arising on a disposition or deemed disposition of a Common Share will not be recognized under the Tax Act unless the Common Share constitutes "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident.

Generally, as long as the common shares are listed on a "designated stock exchange" (which currently includes the NYSE and the TSX), at the time of disposition, the common shares will generally not constitute taxable Canadian property of a Non-Resident Holder, unless at any time during the 60-month period immediately preceding the disposition or deemed disposition of the common shares, the following two conditions have been

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met concurrently (a) one or any combination of (i) the Non Resident Holder, (ii) persons with whom the Non Resident Holder did not deal at arm's length, or (iii) partnerships in which the Non-Resident Holder or persons described in (i) hold a membership interest directly or indirectly through one or more partnerships, owned 25% or more of the issued shares of any class of the capital stock of the Company, and (b) more than 50% of the fair market value of the common shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource properties" (as defined in the Tax Act), "timber resource properties" (as defined in the Tax Act) or an option in respect of, an interest in, or for civil law or a right in, any such property, whether or not such property exists. Notwithstanding the foregoing, a Common Share may also be deemed under the Tax Act to be taxable Canadian property of a Non-Resident Holder in certain circumstances.

If the common shares are, or are deemed to be, taxable Canadian property to a Non-Resident Holder (and are not "treaty protected property" as defined in the Tax Act) any capital gain or losses realized on the disposition or deemed disposition of such common shares will generally be computed in the manner described above under the heading "Taxation of Capital Gains and Capital Losses."

Non-Resident Holders should consult their own advisors regarding whether their common shares constitute taxable Canadian property.

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UNDERWRITING

The selling shareholder is offering the common shares described in this prospectus through a number of underwriters. Morgan Stanley & Co. LLC and Goldman Sachs & Co. LLC are acting as joint book running managers of the offering and as representatives of the underwriters. We and the selling shareholder have entered into an underwriting agreement with the underwriters. Subject to the terms and conditions of the underwriting agreement, the selling shareholder has agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less underwriting commissions set forth on the front cover page of this prospectus, the number of common shares listed next to its name in the following table:

Name	Number of shares
Morgan Stanley & Co. LLC	
Goldman Sachs & Co. LLC	
Citigroup Global Markets Inc.	
J.P. Morgan Securities LLC	
Barclays Capital Inc.	
BofA Securities, Inc.	
Guggenheim Securities, LLC	
Jefferies LLC	
Evercore Group L.L.C.	
Wells Fargo Securities, LLC	
Deutsche Bank Securities Inc.	
DNB Markets, Inc.	
HSBC Securities (USA) Inc.	
Truist Securities, Inc.	
Total	

* Such underwriters and their respective affiliates are not registered to sell securities in any Canadian jurisdiction and, accordingly, will only sell common shares outside of Canada

The offering is being made concurrently in the United States and in each of the provinces and territories of Canada other than Quebec. The common shares will be offered in the United States through those underwriters or their U.S. affiliates who are registered to offer the common shares for sale in the United States and such other registered dealers as may be designated by the underwriters. The common shares will be offered in each of the provinces and territories of Canada other than Quebec through those underwriters or their Canadian affiliates who are registered to offer the common shares for sale in such provinces and territories and such other registered dealers as may be designated by the underwriters. Subject to applicable law, the underwriters, or such other registered dealers as may be designated by the underwriters, may offer the common shares outside of the United States and Canada.

The obligations of the underwriters under the underwriting agreement may be terminated at any time before closing of this offering upon the occurrence of certain stated events, including: (i) trading generally shall have been suspended or materially limited on, or by, as the case may be, any of the TSX, the NYSE, the NYSE American or the NASDAQ Global Market, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a material disruption in securities settlement, payment or clearance services in the United States or Canada shall have occurred, (iv) any moratorium on commercial banking activities shall have been declared by U.S. Federal or New York State or relevant Canadian authorities or (v) there shall have occurred any outbreak or escalation of hostilities, or any change in financial markets or any calamity or crisis that, in the representatives' judgment, is material and adverse and which, singly or together with any other event specified in this clause (v), makes it, in the representatives' judgment,

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impracticable or inadvisable to proceed with the offer, sale or delivery of the common shares The underwriters are committed to purchase all of the common shares offered if they purchase any shares. The underwriting agreement also provides that, if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated in certain circumstances.

The underwriters propose to offer the common shares directly to the public at the initial public offering price set forth on the front cover page of this prospectus and to certain dealers at that price less a concession not in excess of $ per share. After the initial public offering of the shares, the offering price and other selling terms may be changed by the underwriters. Sales of shares made outside of the United States may be made by affiliates of the underwriters. The representatives have advised us that the underwriters do not intend to confirm discretionary sales in excess of 5% of our common shares offered in this offering.

The selling shareholder will pay an underwriting commission equal to $ per common share. The underwriters' commission will be set-off against a portion of the purchase price payable to the selling shareholder in an amount equal to the underwriters' commission, and payment by the underwriters to the selling shareholder of the purchase price net of the underwriters' commission will be full satisfaction of the underwriters' obligation to pay the purchase price for the common shares and of the selling shareholder's obligation to pay the underwriters' commission.

The following table shows the per share and total underwriting commissions.

	Per Common Share	Total
Underwriting commissions paid by the selling shareholder		

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding underwriting commissions, will be approximately $ million, and will be paid by the selling shareholder.

A prospectus in electronic format may be made available on the websites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

We, BHC, our directors and our executive officers have agreed that, for a period of 180 days after the date of this prospectus (the "restricted period"), we and they will not (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any of our common shares or any securities convertible into or exercisable or exchangeable for any of our common shares, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of our common shares or any such other securities (whether any such transaction described in clause (i) or (ii) above is to be settled by the delivery of our common shares or such other securities, in cash or otherwise), in each case without the prior written consent of Morgan Stanley & Co. LLC and Goldman Sachs & Co. LLC, other than the common shares to be sold hereunder and any of our common shares issued upon the exercise of options granted under our stock plans and except for sales of common shares to our parent company, BHC, to the extent necessary to enable it to maintain ownership of at least 80% of our outstanding common shares until the occurrence of the Distribution.

The restrictions described in the paragraph above ("the lock-up restrictions") relating to the Company do not apply to:

(a) the shares to be sold hereunder;

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(b) the issuance by the Company of common shares upon the vesting, exercise or settlement of options or restricted stock units or the conversion of convertible securities or the exchange of exchangeable securities, or options to purchase common shares, in each case outstanding on the date of this prospectus and provided that such option or security is disclosed in or contemplated by this prospectus;

(c) issuances by the Company of grants of other equity-based awards (including any securities convertible into common shares) pursuant to plans described in this prospectus and issuances pursuant thereto;

(d) any transaction or actions to facilitate or otherwise in connection with the Distribution;

(e) the filing of any registration statement on Form S-8 relating to securities granted or to be granted pursuant to the Company's equity-based compensation plans that are described in this prospectus; or

(f) facilitating the establishment of a trading plan on behalf of a shareholder, officer or director of the Company pursuant to Rule 10b5-1 under the Exchange Act or equivalent Canadian securities laws for the transfer of common shares, provided that (i) such plan does not provide for the transfer of common shares during the restricted period and (ii) to the extent a public announcement or filing under the Exchange Act, if any, is required of or voluntarily made by the Company regarding the establishment of such plan, such announcement or filing shall include a statement to the effect that no transfer of Common Shares may be made under such plan during the restricted period.

With respect to clauses (b), (d), (e) and (f) above, any such transfer shall not involve a disposition for value.

The lock-up restrictions relating to the directors and officers of the Company do not apply to:

(a) transactions relating to common shares or other securities acquired in open market transactions after the completion of this offering, provided that no filing under Section 16(a) of the Exchange Act or under Canadian insider reporting requirements shall be required or shall be voluntarily made in connection with subsequent sales of common shares or other securities acquired in such open market transactions;

(b) transfers of common shares or any security convertible into common shares as a bona fide gift, provided that (i) each donee or distributee shall sign and deliver a lock up agreement and (ii) no filing under Section 16(a) of the Exchange Act or under Canadian insider reporting requirements, reporting a reduction in beneficial ownership of common shares, shall be required or shall be voluntarily made during the restricted period;

(c) any common shares obtained as a result of the vesting, conversion, exercise, exchange, settlement or delivery of shares of common shares in connection with any options, stock appreciation rights, restricted stock units, performance units or other equity or equity-based awards, in each case, granted pursuant to any equity compensation, incentive compensation or employee benefit plan of the Company described in this prospectus (including the conversion of any equity-based awards in the form of securities of BHC into securities or equity-based awards of the Company), or in connection with one or more sales of shares of common shares to the Company, or "net-share settlement", to satisfy any tax withholding obligations or exercise price applicable to any such options, stock appreciation rights, restricted stock units, performance units or other equity or equity-based awards; provided that (i) any shares of common shares received upon such vesting, conversion, exercise, exchange, settlement or delivery of shares shall be subject to all of the restrictions set forth in the lock-up agreement and (ii) no filing under Section 16 of the Exchange Act or under Canadian insider reporting requirements, reporting a reduction in beneficial ownership of shares of common shares shall be made during the restricted period, unless such filing indicates in the footnotes thereto that the filing relates to the exercise of equity awards, that no shares were sold to the public by the reporting filing shall include a statement to the effect that no transfer of common shares may be made under such plan during the restricted period.

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(d) transfers to any trust for the direct or indirect benefit of the lock up party or the immediate family of the lock up party (for purposes hereof, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin); *provided* that (i) the trustee of the trust agrees to be bound in writing by the restrictions set forth the lock up agreement and (ii) no filing under Section 16(a) of the Exchange Act or under Canadian insider reporting requirements, reporting a reduction in beneficial ownership of common shares, shall be required or shall be voluntarily made during the Restricted Period;

(e) transfers of common shares to a corporation, partnership, limited liability company, investment fund or other entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the lock up party, or is wholly-owned by the lock up party and/or by members of the immediate family of the lock up party, or, in the case of an investment fund, that is managed by, or is under common management with, the lock up party (including, for the avoidance of doubt, a fund managed by the same manager or managing member or general partner or management company or by an entity controlling, controlled by, or under common control with such manager or managing member or general partner or management company as the lock up party or who shares a common investment advisor with the lock up party); provided that (i) the transferee agrees to be bound in writing by the restrictions set forth in the lock up agreement and (ii) no filing under Section 16(a) of the Exchange Act or under Canadian insider reporting requirements, reporting a reduction in beneficial ownership of common shares, shall be required or shall be voluntarily made during the restricted period;

(f) transfers of common shares pursuant to an order of a court or regulatory agency or to comply with any regulations related to the lock up party's ownership of common shares; provided that, in the case of any transfer pursuant to this clause, any filing under Section 16(a) of the Exchange Act or under Canadian insider reporting requirements, reporting a reduction in beneficial ownership of shares of common shares, shall state that such transfer is pursuant to an order of a court or regulatory agency or to comply with any regulations related to the ownership of common shares, unless such a statement would be prohibited by any applicable law, regulation or order of a court or regulatory authority;

(g) pursuant to a will or other testamentary documents or applicable laws of descent, or otherwise by way of testate or intestate succession; *provided* that (i) the transferee agrees to be bound in writing by the restrictions set forth in the lock up agreement and (ii) any filing under Section 16(a) of the Exchange Act or under Canadian insider reporting requirements, reporting a reduction in beneficial ownership of shares of common shares, shall state that such transfer is pursuant to a will or other testamentary documents or applicable laws of descent, or otherwise by way of intestate succession;

(h) pursuant to a qualified domestic order or in connection with a divorce settlement; provided that (i) the transferee agrees to be bound in writing by the restrictions set forth in the lock up agreement and (ii) any filing under Section 16(a) of the Exchange Act or under Canadian insider reporting requirements, reporting a reduction in beneficial ownership of shares of common shares, shall state that such transfer is pursuant to a qualified domestic order or in connection with a divorce settlement;

(i) pursuant to a bona fide third-party tender offer, take-over bid, merger, amalgamation, consolidation or other similar transaction made to all holders of the Company's securities and approved by the board of directors involving a change of control of the Company (for purposes hereof, "change of control" shall mean the transfer (whether by tender offer, take-over bid, merger, amalgamation, consolidation or other similar transaction), in one transaction or a series of related transactions, to a person or group of affiliated persons, of shares of capital stock if, after such transaction, such person or group of affiliated persons would hold more than 50% of the outstanding voting securities of the Company (or the surviving entity)); provided that in the event that the tender offer, take-over bid, merger, amalgamation, consolidation or other such transaction is not completed, the lock-up party's common shares shall remain subject to the terms of the lock-up;

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(j) distributions of common shares or any security convertible into common shares to limited partners or stockholders of the lock up party, provided that (i) each donee or distributee shall sign and deliver a lock up agreement and (ii) no filing under Section 16(a) of the Exchange Act or under Canadian insider reporting requirements, reporting a reduction in beneficial ownership of common shares, shall be required or shall be voluntarily made during the restricted period; or

(k) the establishment of a trading plan on behalf of a shareholder, officer or director of the Company pursuant to Rule 10b5-1 under the Exchange Act or equivalent Canadian securities laws for the transfer of common shares, provided that (i) such plan does not provide for the transfer of common shares during the restricted period and (ii) to the extent a public announcement or filing under the Exchange Act or applicable Canadian securities laws, if any, is required of or voluntarily made by or on behalf of the lock-up party or the Company regarding the establishment of such plan, such announcement or filing shall include a statement to the effect that no transfer of common shares may be made under such plan during the restricted period.

Notwithstanding anything to the contrary, with respect to clauses (b), (d), (e) and (f) above, any such transfer shall not involve a disposition for value.

The lock-up restrictions relating to BHC do not apply to transfers:

(a) as a result of the vesting, conversion, exercise, exchange, settlement or delivery of shares of common shares in connection with any options, stock appreciation rights, restricted stock units, performance units or other equity or equity-based awards, in each case, granted pursuant to any equity compensation, incentive compensation or employee benefit plan of the Company described in this prospectus (including the conversion of any equity-based awards in the form of securities of BHC into securities or equity-based awards of the Company), or in connection with one or more sales of shares of common shares to the Company, or "net-share settlement", to satisfy any tax withholding obligations or exercise price applicable to any such options, stock appreciation rights, restricted stock units, performance units or other equity or equity-based awards; provided that no filing under Section 16 of the Exchange Act or under Canadian insider reporting requirements, reporting a reduction in beneficial ownership of shares of common shares shall be made during the restricted period, unless such filing indicates in the footnotes thereto that the filing relates to the exercise of equity awards, that no shares were sold to the public by the reporting person and that the shares of common shares received upon exercise of such securities are subject to a lock-up agreement with the representatives of the underwriters; or

(b) among the lock-up party and/or any of its controlled affiliates as intercompany transfers to facilitate the Distribution and transactions related thereto; or

(c) pursuant to a bona fide third-party tender offer, take-over bid, merger, amalgamation, consolidation or other similar transaction made to all holders of the Company's securities and approved by the board of directors involving a change of control of the Company (for purposes hereof, "change of control" shall mean the transfer (whether by tender offer, take-over bid, merger, amalgamation, consolidation or other similar transaction), in one transaction or a series of related transactions, to a person or group of affiliated persons, of shares of capital stock if, after such transaction, such person or group of affiliated persons would hold more than 50% of the outstanding voting securities of the Company (or the surviving entity)); provided that in the event that the tender offer, take-over bid, merger, amalgamation, consolidation or other such transaction is not completed, the lock-up party's common shares shall remain subject to the terms of the lock-up agreement.

We have applied to list our common shares on the NYSE and the TSX, in each case under the symbol "BLCO." Our common shares will trade in U.S. dollars on the NYSE and in Canadian dollars on the TSX. Listings on the NYSE and the TSX are subject to approval by the NYSE and the TSX in accordance with their

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respective original listing requirements The NYSE and the TSX have not conditionally approved our listing applications and there is no assurance that the NYSE and the TSX will approve our listing applications.

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling common shares in the open market for the purpose of preventing or retarding a decline in the market price of our common shares while this offering is in progress. These stabilizing transactions may include making short sales of our common shares, which involves the sale by the underwriters of a greater number of our common shares than they are required to purchase in this offering, and purchasing our common shares on the open market to cover positions created by short sales. Short sales may be "covered" shorts, which are short positions in an amount not greater than the underwriters' overallotment option referred to above, or may be "naked" shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising their overallotment option referred to above, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through their overallotment option referred to above. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common shares in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

Any naked short position created by overselling the distribution would form part of the underwriters' over-allocation position and a purchaser who acquires common shares forming part of the underwriters' over-allocation position acquires such common shares under this prospectus, regardless of whether the over allocation position is ultimately filled through the exercise of the underwriters' option to purchase additional common shares or secondary market purchases.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act, they may also engage in other activities that stabilize, maintain or otherwise affect the price of our common shares, including the imposition of penalty bids. This means that if the representatives of the underwriters purchase our common shares in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares as part of this offering to repay underwriting commissions received by them.

These activities may have the effect of raising or maintaining the market price of our common shares or preventing or retarding a decline in the market price of our common shares, and, as a result, the price of our common shares may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the NYSE, in the over the counter market or otherwise.

In accordance with rules and policy statements of certain Canadian securities regulatory authorities and the Universal Market Integrity Rules for Canadian Marketplaces ("UMIR"), the underwriters may not, at any time during the period of distribution, bid for or purchase common shares. The foregoing restriction is, however, subject to exceptions as permitted by such rules and policy statements and UMIR. These exceptions include a bid or purchase permitted under such rules and policy statements and UMIR, relating to market stabilization and market balancing activities and a bid or purchase on behalf of a customer where the order was not solicited.

Prior to this offering, there has been no public market for our common shares. The initial public offering price will be determined by negotiations between us, the selling shareholders and the representatives of the underwriters. In determining the initial public offering price, the selling shareholder and the representatives of the underwriters expect to consider a number of factors including:

- the information set forth in this prospectus and otherwise available to the representatives;

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- our prospects and the history and prospects for the industry in which we compete;
- an assessment of our management;
- our prospects for future earnings;
- the general condition of the securities markets at the time of this offering;
- the recent market prices of, and demand for, publicly traded common stock of generally comparable companies; and
- other factors deemed relevant by the underwriters and us.

We cannot, and neither BHC, nor the underwriters can, assure investors that an active trading market will develop for our common shares, or that our common shares will trade in the public market at or above the initial public offering price.

Certain Relationships

Certain of the underwriters and their affiliates have provided in the past to us and our affiliates, and may provide from time to time in the future, certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. For instance, affiliates of certain of the underwriters are lenders under our Credit Facilities that we intend to enter into in connection with the consummation of this offering. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

Other than in the United States and each of the provinces and territories of Canada other than Quebec, no action has been taken by us, the selling shareholder or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

European Economic Area

In relation to each Member State of the European Economic Area an offer of securities described in this prospectus may not be made to the public in that Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, except that an offer of securities described in this prospectus may be made to the public in that Member State at any time:

- to any legal entity which is a qualified investor as defined under Regulation (EU) 2017/1129 (the "Prospectus Regulation"); and
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation); or in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

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provided that no such offer of securities described in this prospectus shall result in a requirement for the publication by us of a prospectus pursuant to Article 3 of the Prospectus Regulation. For the purposes of this provision, the expression an "offer of securities to the public" in relation to any securities in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities.

United Kingdom

In relation to the United Kingdom an offer of securities described in this prospectus may not be made to the public in the United Kingdom prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in the United Kingdom, except that an offer of securities described in this prospectus may be made to the public in the United Kingdom at any time

- to any legal entity which is a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 ("EUWA") (the "UK Prospectus Regulation");
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the UK Prospectus Regulation); or
- in any other circumstances falling within section 86 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "FSMA"),

provided that no such offer of securities described in this prospectus shall result in a requirement for the publication by us of a prospectus pursuant to section 85 of the FSMA. For the purposes of this provision, the expression an "offer of securities to the public" in relation to any securities in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities.

This document is only being distributed to and is only directed at (1) persons who are outside the United Kingdom or (2) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (3) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. This document is confidential and is being supplied to the reader solely for its information and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any other purpose.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of the securities may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the securities in, from or otherwise involving the United Kingdom.

Hong Kong

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (1) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (2) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

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No advertisement, invitation or document, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere, other than with respect to the shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made under the SFO.

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Japan

The shares offered in this prospectus have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the "FIEA") on the ground that the solicitation for subscription of the shares falls within the definition of "solicitation to qualified institutional investors" as defined un Article 2, paragraph 3, item 2 (I) of the FIEA. Such solicitation shall be subject to the condition that qualified institutional investors (as defined under the FIEA, "QIIs") who desire to acquire the securities shall be made aware that they shall not transfer the shares to anyone other than other QIIs, and accordingly the shares have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except the private placement above pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time.

Singapore

This prospectus has not been and will not be registered as a prospectus under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") by the Monetary Authority of Singapore, and the offer of the common shares in Singapore is made primarily pursuant to the exemptions under Sections 274 and 275 of the SFA. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the common shares may not be circulated or distributed, nor may the common shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (1) to an institutional investor (as defined in Section 4A of the SFA) (an "Institutional Investor") pursuant to Section 274 of the SFA, (2) to an accredited investor (as defined in Section 4A of the SFA) (an "Accredited Investor") or other relevant person (as defined in Section 275(2) of the SFA) (a "Relevant Person") and pursuant to Section 275(1) of the SFA, or to any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (3) otherwise pursuant to, and in accordance with, the conditions of any other applicable exemption or provision of the SFA.

It is a condition of the offer that where the common shares are subscribed for or acquired pursuant to an offer made in reliance on Section 275 of the SFA by a Relevant Person which is:

(a) a corporation (which is not an Accredited Investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an Accredited Investor; or

(b) a trust (where the trustee is not an Accredited Investor), the sole purpose of which is to hold investments and each beneficiary of the trust is an individual who is an Accredited Investor,

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the securities and securities based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation and the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has subscribed for or acquired the common shares except:

(1) to an Institutional Investor, or an Accredited Investor or other Relevant Person, or which arises from an offer referred to in Section 275(1A) of the SFA (in the case of that corporation) or Section 276(4)(i)(B) of the SFA (in the case of that trust);

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

United Arab Emirates

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

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LEGAL MATTERS

Certain legal matters relating to this offering will be passed upon for us by Davis Polk & Wardwell LLP, New York, New York and will be passed upon for the underwriters by Sidley Austin LLP, New York, New York. Certain matters with respect to Canadian law, including the validity of the issuance of the common shares offered hereby, will be passed upon for us by Osler, Hoskin & Harcourt LLP and will be passed upon for the underwriters by Davies Ward Phillips & Vineberg LLP.

EXPERTS

The financial statements as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement, of which this prospectus is a part, on Form S-1 with the SEC relating to this offering. This prospectus does not contain all of the information in the registration statement and the exhibits and amendments to the registration statement. References in this prospectus to any of our contracts, agreements or other documents are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contracts, agreements or other documents. You may review a copy of the registration statement, including its exhibits and schedules, on the Internet website maintained by the SEC at http:\\www.sec.gov. Information contained on or connected to any website referenced in this prospectus is not incorporated into this prospectus or the registration statement of which this prospectus forms a part, or in any other filings with, or any information furnished or submitted to, the SEC.

We are also required to file reports and other information with the securities commissions in all provinces and territories in Canada other than Quebec. You are invited to read and copy any reports, statements or other information, other than confidential filings, that we file with the provincial and territorial securities commissions. These filings are also electronically available from the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at *www.sedar.com*, the Canadian equivalent of the SEC's electronic document gathering and retrieval system.

Upon the completion of this offering, Bausch + Lomb will become subject to the information and reporting requirements of the Exchange Act and, in accordance with the Exchange Act, will file periodic reports, proxy statements and other information with the SEC. Our Internet address will be operational on or around the date of this offering and will be www.Baush.com. We will post links on our website to the following filings as soon as reasonably practicable after they are electronically filed or furnished to the SEC: annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendment to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. All such filings are available through our website will be free of charge. The information on our Internet website is not incorporated by reference into this prospectus or our other securities filings and is not a part of such filings. We have included our website address only as an inactive textual reference and do not intend it to be an active link to our website. The SEC also maintains an Internet website at *www.sec.gov* that contains reports, proxies and prospectuses, and other information regarding issuers, including us, that file electronically with the SEC.

We intend to furnish holders of our common shares with annual reports containing consolidated financial statements prepared in accordance with GAAP and audited and reported on, with an opinion expressed, by an independent registered public accounting firm.

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After the Separation, Bausch + Lomb shareholders who have questions relating to Bausch + Lomb or Bausch + Lomb's business performance should contact Bausch + Lomb at:

Bausch + Lomb Corporation
520 Applewood Crescent
Vaughan, Ontario, Canada L4K 4B4
Attention: Investors Relations Department

We expect that Bausch + Lomb's investor relations website will be operational on or around the date that our common shares commence trading on the NYSE and the TSX. The Bausch + Lomb website and the information contained therein or connected thereto are not incorporated into this prospectus or the registration statement of which this prospectus forms a part, or in any other filings with, or any information furnished or submitted to, the SEC.

We are responsible for the information contained in this prospectus and in any related free-writing prospectus we may prepare or authorize to be delivered to you. We have not, and neither BHC nor the underwriters have, authorized anyone to give you any other information, and we, BHC and the underwriters take no responsibility for any other information that others may give you. We, BHC and the underwriters are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common shares.

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BAUSCH + LOMB

(a business of Bausch Health Companies Inc.)

INDEX TO UNAUDITED COMBINED FINANCIAL STATEMENTS

INDEX TO COMBINED FINANCIAL STATEMENTS

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BAUSCH + LOMB
COMBINED BALANCE SHEETS
(in millions)
(Unaudited)

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 130	$ 238
Restricted cash	3	—
Trade receivables, net (Note 4)	655	645
Inventories, net	606	616
Prepaid expenses and other current assets	167	155
Total current assets	1,561	1,654
Property, plant and equipment, net	1,186	1,164
Intangible assets, net	2,318	2,562
Goodwill	4,610	4,685
Deferred tax assets, net	1,184	1,036
Other non-current assets	178	165
Total assets	$ 11,037	$ 11,266
Liabilities		
Current liabilities:		
Accounts payable (Note 4)	$ 252	$ 178
Accrued and other current liabilities	872	731
Total current liabilities	1,124	909
Deferred tax liabilities, net	176	27
Other non-current liabilities	343	342
Total liabilities	1,643	1,278
Commitments and contingencies (Note 16)		
Equity		
BHC investment	10,345	10,807
Accumulated other comprehensive loss	(1,020)	(889)
Net BHC investment	9,325	9,918
Noncontrolling interest	69	70
Total equity	9,394	9,988
Total liabilities and equity	$ 11,037	$ 11,266

The accompanying notes are an integral part of these combined financial statements.

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BAUSCH + LOMB
COMBINED STATEMENTS OF OPERATIONS
(in millions)
(Unaudited)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Revenues		
Product sales	$ 2,743	$ 2,444
Other revenues	21	24
	2,764	2,468
Expenses		
Cost of goods sold (excluding amortization and impairments of intangible assets) (Note 4)	1,056	901
Cost of other revenues	8	14
Selling, general and administrative (Note 4)	1,024	922
Research and development (Note 4)	201	187
Amortization of intangible assets	225	247
Other expense, net	13	20
	2,527	2,291
Operating income	237	177
Interest income	—	2
Foreign exchange and other	(5)	8
Income before (provision for) benefit from income taxes	232	187
(Provision for) benefit from income taxes	(93)	4
Net income	139	191
Net income attributable to noncontrolling interest	(8)	—
Net income attributable to Bausch + Lomb	$ 131	$ 191

The accompanying notes are an integral part of these combined financial statements.

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BAUSCH + LOMB
COMBINED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)
(Unaudited)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Net income	$ 139	$ 191
Other comprehensive (loss) income		
Foreign currency translation adjustment	(136)	38
Pension and postretirement benefit plan adjustments, net of income taxes	6	4
Other comprehensive (loss) income	(130)	42
Comprehensive income	9	233
Comprehensive income attributable to noncontrolling interest	(9)	(1)
Comprehensive income attributable to Bausch + Lomb	$ —	$ 232

The accompanying notes are an integral part of these combined financial statements.

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BAUSCH + LOMB
COMBINED STATEMENTS OF EQUITY
(in millions)
(Unaudited)

	BHC Investment	Accumulated Other Comprehensive Loss	Net BHC Investment	Noncontrolling Interest	Total Equity
	Nine Months Ended September 30, 2021				
Balance, January 1, 2021	**$ 10,807**	**$ (889)**	**$ 9,918**	**$ 70**	**$ 9,988**
Net decrease in BHC investment	(593)	—	(593)	—	(593)
Noncontrolling interest distributions	—	—	—	(10)	(10)
Net income	131	—	131	8	139
Other comprehensive (loss) income	—	(131)	(131)	1	(130)
Balance, September 30, 2021	**$ 10,345**	**$ (1,020)**	**$ 9,325**	**$ 69**	**$ 9,394**
	Nine Months Ended September 30, 2020				
Balance, January 1, 2020	**$ 11,005**	**$ (1,046)**	**$ 9,959**	**$ 73**	**$10,032**
Net decrease in BHC investment	(178)	—	(178)	—	(178)
Noncontrolling interest distributions	—	—	—	(5)	(5)
Net income	191	—	191	—	191
Other comprehensive income	—	41	41	1	42
Balance, September 30, 2020	**$ 11,018**	**$ (1,005)**	**$ 10,013**	**$ 69**	**$10,082**

The accompanying notes are an integral part of these combined financial statements.

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BAUSCH + LOMB
COMBINED STATEMENTS OF CASH FLOWS
(in millions)
(Unaudited)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash Flows From Operating Activities		
Net income	$ 139	$ 191
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangible assets	315	336
Asset impairments	11	—
Allowances for losses on trade receivables and inventories	32	27
Deferred income taxes	9	(104)
Additions to accrued legal settlements	—	2
Payments of accrued legal settlements	—	(12)
Share-based compensation	45	38
Foreign exchange loss (gain)	12	(4)
Other	(8)	3
Changes in operating assets and liabilities:		
Trade receivables	(31)	66
Inventories	(38)	(78)
Prepaid expenses and other current assets	(15)	19
Accounts payable, accrued and other liabilities	240	(96)
Net cash provided by operating activities	711	388
Cash Flows From Investing Activities		
Acquisition of intangible assets and other assets	1	(2)
Purchases of property, plant and equipment	(131)	(178)
Purchases of marketable securities	(14)	(4)
Proceeds from sale of marketable securities	11	7
Net cash used in investing activities	(133)	(177)
Cash Flows From Financing Activities		
Payments of noncontrolling interest distributions	(10)	(5)
Net transfers to BHC	(665)	(222)
Net cash used in financing activities	(675)	(227)
Effect of exchange rate changes on cash and cash equivalents	(8)	3
Net decrease in cash and cash equivalents and restricted cash	(105)	(13)
Cash and cash equivalents and restricted cash, beginning of period	238	192
Cash and cash equivalents and restricted cash, end of period	$ 133	$ 179

The accompanying notes are an integral part of these combined financial statements.

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BAUSCH + LOMB
NOTES TO COMBINED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS

Bausch + Lomb (a business of Bausch Health Companies Inc.) ("Bausch + Lomb" or the "Business"), is a leading global eye health company dedicated to protecting and enhancing the gift of sight for millions of people around the world – from the moment of birth through every phase of life. The Business operates in three reportable segments: (i) Vision Care/Consumer Health Care segment which includes both a contact lens business and a consumer eye care business that consists of contact lens care products, over-the-counter ("OTC") eye drops and eye vitamins, (ii) Ophthalmic Pharmaceuticals segment which consists of a broad line of proprietary pharmaceutical products for post-operative treatments and treatments for a number of eye conditions, such as glaucoma, eye inflammation, ocular hypertension, dry eyes and retinal diseases and (iii) Surgical segment which consists of medical device equipment, consumables and instrumental tools and technologies for the treatment of corneal, cataracts, and vitreous and retinal eye conditions, and includes intraocular lenses and delivery systems, phacoemulsification equipment and other surgical instruments and devices necessary for cataract surgery. See Note 17, "SEGMENT INFORMATION" for additional information regarding these reportable segments.

The Business was acquired in 2013 and remains wholly-owned by Bausch Health Companies Inc. ("BHC" or "Parent"). On August 6, 2020, BHC announced its plan to separate Bausch + Lomb into an independent publicly traded company (the "Separation").

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Business has historically operated as part of BHC; therefore, standalone financial statements have not historically been prepared. The accompanying unaudited Combined Financial Statements have been prepared from BHC's historical accounting records and policies and are presented on a standalone basis as if the Business' operations had been conducted independently from BHC. These unaudited Combined Financial Statements have been prepared by the Business in United States ("U.S.") dollars and in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial reporting, which do not conform in all respects to the requirements of U.S. GAAP for annual financial statements. Accordingly, these notes to the unaudited Combined Financial Statements should be read in conjunction with the audited Combined Financial Statements prepared in accordance with U.S. GAAP that are contained elsewhere in this registration statement. The unaudited Combined Financial Statements have been prepared using accounting policies that are consistent with the policies used in preparing the Business' audited Combined Financial Statements for the year ended December 31, 2020, except for the new accounting guidance adopted during the period, as detailed below. The unaudited Combined Financial Statements of the Business include assets and liabilities that have been determined to be specifically identifiable or otherwise attributable to the Business. The unaudited Combined Financial Statements reflect all normal and recurring adjustments necessary for a fair statement of the Company's financial position and results of operations for the interim periods. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

As the Business has historically operated as part of BHC, the Business relied on BHC's corporate and other support functions. Therefore, certain corporate and shared costs have been allocated to the Business, including expenses related to BHC support functions that are provided on a centralized basis, including expenses for executive oversight, treasury, accounting, legal, human resources, shared services, compliance, procurement, information technology and other corporate functions. The expenses associated with these services generally include all payroll and benefit costs, certain share-based compensation expenses related

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to BHC's long term incentive program for BHC employees who are providing corporate services to the Business, certain expenses associated with corporate insurance coverage and medical, pension, postretirement and other health plan costs for employees participating in BHC sponsored plans, as well as overhead costs related to the support functions. These expenses have been allocated to the Business using the same basis and methodologies used in preparing the Business' audited Combined Financial Statements for the year ended December 31, 2020 that are contained elsewhere in this registration statement.

Impacts of COVID-19 Pandemic

The unprecedented nature of the COVID-19 pandemic has, and continues to, adversely impact the global economy. The COVID-19 pandemic and the reactions of governments, private sector participants and the public in an effort to contain the spread of the COVID 19 virus and/or address its impacts have had significant direct and indirect effects on businesses and commerce. This includes, but is not limited to, disruption to supply chains, employee base and transactional activity, facility closures and production suspensions.

The extent to which these events may continue to impact the Business' operations, financial condition, cash flows and results of operations, in particular, will depend on future developments which are highly uncertain and many of which are outside the Business' control. Such developments include the availability and effectiveness of vaccines for the COVID-19 virus, COVID-19 vaccine immunization rates, the ultimate geographic spread and duration of the pandemic, the extent and duration of a resurgence of the COVID-19 virus and variant strains thereof, such as the Delta variant, new information concerning the severity of the COVID-19 virus, the effectiveness and intensity of measures to contain the COVID-19 virus and the economic impact of the pandemic and the reactions to it. Such developments, among others, depending on their nature, duration and intensity, could have a significant adverse effect on Bausch + Lomb's business, financial condition, cash flows and results of operations.

To date, the Business has been able to continue its operations with limited disruptions in supply and manufacturing. Although, it is difficult to predict the broad macroeconomic effects that the COVID-19 pandemic will have on industries or individual companies, the Business has assessed the possible effects and outcomes of the pandemic on, among other things, its supply chain, customers and distributors, discounts and rebates, employee base, product sustainability, research and development efforts, product pipeline and consumer demand and currently believes that its estimates are reasonable.

Out of Period Adjustments

During the preparation of the Combined Financial Statements for the three months ended March 31, 2021, management identified immaterial prior period accounting misstatements related to the allocation of foreign exchange gains and losses reported in its financial statements. The misstatements understated reported net loss by $5 million for the year 2020, overstated reported net income by $1 million for the year 2019 and understated reported net income by $2 million for the year 2018. The Business recorded an out of period correction for the misstatements during the three months ended March 31, 2021, resulting in out of period expense of $6 million ($4 million, net of income taxes) included in Foreign exchange and other in its Combined Statements of Operations for the nine months ended September 30, 2021. The misstatement did not impact the Business' Combined Balance Sheets or Combined Statements of Cash Flows.

During the preparation of the Combined Financial Statements for the three months ended September 30, 2021, management identified an immaterial prior period accounting misstatement impacting costs of sales related to certain intercompany transactions. The misstatement resulted in an understatement of Net income of approximately $9 million in the six month period ended June 30, 2020. The misstatement also resulted in an understatement of Net cash provided by operating activities and an understatement of Net cash used in financing activities of approximately $9 million in the six month period ended June 30, 2020. The misstatement did not impact the Business's Combined Balance Sheets, and does not impact the Combined Financial Statements for the year-ended December 31, 2020. The Business recorded an out of period correction to Cost of sales for approximately $12 million ($9 million, net of income taxes) during the three months ended

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September 30, 2020, and as a result, the misstatement did not impact the Business's Combined Financial Statements for the nine month period ended September 30, 2020 or the year-ended December 31, 2020.

Management has evaluated these misstatements and related out of period corrections in relation to the current period financial statements as well as the periods in which they originated and concluded that the misstatements are not material to the impacted periods.

Use of Estimates

In preparing the Business' unaudited Combined Financial Statements, management is required to make estimates and assumptions. This includes estimates and assumptions regarding the nature, timing and extent of the impacts that the COVID-19 pandemic will have on its operations and cash flows. The estimates and assumptions used by the Business affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates made by management include: provisions for product returns, rebates, chargebacks, discounts and allowances and distribution fees paid to certain wholesalers; useful lives of finite-lived intangible assets and property, plant and equipment; expected future cash flows used in evaluating intangible assets for impairment, reporting unit fair values for testing goodwill for impairment; acquisition-related contingent consideration liabilities; provisions for loss contingencies; provisions for income taxes, uncertain tax positions and realizability of deferred tax assets; the fair value of foreign currency exchange contracts; and the related allocations described in the Business' basis of presentation.

All allocations and estimates in these unaudited Combined Financial Statements are based on assumptions that management believes are reasonable On an ongoing basis, management reviews its allocations and estimates to ensure that these allocations and estimates appropriately reflect changes in the Business and new information as it becomes available. However, the unaudited Combined Financial Statements included herein may not be indicative of the financial position, results of operations and cash flows of the Business in the future, or if the Business had been a separate, standalone entity during the years presented. If historical experience and other factors used by management to make these estimates do not reasonably reflect future activity, the Business' unaudited Combined Financial Statements could be materially impacted.

The Business has evaluated for subsequent events through November 19, 2021, the date the unaudited Combined Financial Statements were available to be issued, and determined that there have been no events that have occurred that would require recognition or adjustment to the Business' disclosures.

Changes in Reportable Segments

Commencing in the second quarter of 2021, the Business began operating in the following reportable segments: (i) Vision Care/Consumer Health Care, (ii) Ophthalmic Pharmaceuticals and (iii) Surgical. Prior to the second quarter of 2021, the Business operated in one reportable segment. Prior period presentations have been recast to conform to the current segment reporting structure. See Note 17, "SEGMENT INFORMATION" for additional information.

Adoption of New Accounting Standards

In December 2019, the Financial Accounting Standards Board ("FASB") issued guidance that simplifies the accounting for income taxes by eliminating certain exceptions to the guidance related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance was effective for the Business beginning January 1, 2021. The application of this guidance did not have a material effect on the Business' financial position, results of operations and cash flows.

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3 REVENUE RECOGNITION

Revenue Recognition

The Business' revenues are primarily generated from product sales in the therapeutic areas of eye health that consist of: (i) branded prescription eye-medications and pharmaceuticals, (ii) generic and branded generic prescription eye medications and pharmaceuticals, (iii) OTC vitamin and supplement products and (iv) medical devices (contact lenses, intraocular lenses and ophthalmic surgical equipment). Other revenues include alliance and service revenue from the licensing and co-promotion of products and contract service revenue. Contract service revenue is derived primarily from contract manufacturing for third parties and is not material. See Note 17, "SEGMENT INFORMATION" for the disaggregation of revenues which depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by the economic factors of each category of customer contracts

The Business recognizes revenue when the customer obtains control of promised goods or services and in an amount that reflects the consideration to which the Business expects to be entitled to receive in exchange for those goods or services. To achieve this core principle, the Business applies the five-step revenue model to contracts within its scope: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

Product Sales

A contract with the Business' customers exists for each product sale. Where a contract with a customer contains more than one performance obligation, the Business allocates the transaction price to each distinct performance obligation based on its relative standalone selling price. The transaction price is adjusted for variable consideration which is discussed further below. The Business recognizes revenue for product sales at a point in time, when the customer obtains control of the products in accordance with contracted delivery terms, which is generally upon shipment or customer receipt. Contracted delivery terms will vary by customer and geography. In the United States control is generally transferred to the customer upon receipt.

Revenue from sales of surgical equipment and related software is generally recognized upon delivery and installation of the equipment. Intraocular lenses and delivery systems, disposable surgical packs and other surgical instruments are distinct from the surgical equipment and may be sold together with the surgical equipment in a single contract or on a standalone basis. Revenue from the sale of delivery systems, disposable surgical packs and other surgical instruments is recognized in accordance with the contracted delivery terms, generally upon shipment or customer receipt. Intraocular lenses are sold primarily on a consignment basis and revenue is recognized upon notification of use, which typically occurs when a replacement order is placed.

When a sale transaction in the Surgical segment contains multiple performance obligations, the transaction price is allocated to each performance obligation based on the relative standalone sales price and revenue is recognized upon satisfaction of each performance obligation.

Product Sales Provisions

As is customary in the eye health industry, gross product sales of certain product categories are subject to a variety of deductions in arriving at reported net product sales. The transaction price for such product categories is typically adjusted for variable consideration, which may be in the form of cash discounts, allowances, returns, rebates, chargebacks and distribution fees paid to customers. Provisions for variable consideration are established to reflect the Business' best estimates of the amount of consideration to which it is entitled based on the terms of the contract. The amount of variable consideration included in the transaction price may be constrained, and is included in the net sales price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in the future period.

Provisions for these deductions are recorded concurrently with the recognition of gross product sales revenue and include cash discounts and allowances, chargebacks, and distribution fees, which are paid to

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direct customers, as well as rebates and returns, which can be paid to direct and indirect customers. Returns provision balances and volume discounts to direct customers are included in Accrued and other current liabilities. All other provisions related to direct customers are included in Trade receivables, net, while provision balances related to indirect customers are included in Accrued and other current liabilities.

The following table presents the activity and ending balances of the Business' variable consideration provisions for the nine months ended September 30, 2021 and 2020:

(in millions)	Discounts and Allowances	Returns	Rebates	Chargebacks	Distribution Fees	Total
Reserve balance, January 1, 2021	$ 147	$ 77	$ 149	$ 30	$ 24	$ 427
Current period provision	250	58	389	243	13	953
Payments and credits	(232)	(62)	(317)	(251)	(15)	(877)
Reserve balance, September 30, 2021	$ 165	$ 73	$ 221	$ 22	$ 22	$ 503

Included in Rebates in the table above are cooperative advertising credits due to customers of approximately $33 million and $27 million as of September 30, 2021 and January 1, 2021, respectively, which are reflected as a reduction of Trade accounts receivable, net in the Combined Balance Sheets.

(in millions)	Discounts and Allowances	Returns	Rebates	Chargebacks	Distribution Fees	Total
Reserve balance, January 1, 2020	$ 136	$ 73	$ 162	$ 26	$ 22	$ 419
Current period provision	232	54	323	232	11	852
Payments and credits	(231)	(53)	(322)	(225)	(11)	(842)
Reserve balance, September 30, 2020	$ 137	$ 74	$ 163	$ 33	$ 22	$ 429

Included in Rebates in the table above are cooperative advertising credits due to customers of approximately $28 million and $24 million as of September 30, 2020 and January 1, 2020, respectively, which are reflected as a reduction of Trade accounts receivable, net in the Combined Balance Sheets.

Contract Assets and Contract Liabilities

There are no contract assets for any period presented. Contract liabilities consist of deferred revenue, the balance of which is not material to any period presented.

Allowance for Credit Losses

An allowance is maintained for potential credit losses. The Business estimates the current expected credit loss on its receivables based on various factors, including historical credit loss experience, customer credit worthiness, value of collaterals (if any), and any relevant current and reasonably supportable future economic factors. Additionally, the Business generally estimates the expected credit loss on a pool basis when customers are deemed to have similar risk characteristics Trade receivable balances are written off against the allowance when it is deemed probable that the trade receivable will not be collected. Trade receivables, net are stated net of certain sales provisions and the allowance for credit losses.

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The activity in the allowance for credit losses for trade receivables for the nine months ended September 30, 2021 and 2020 is as follows

(in millions)	2021	2020
Balance, beginning of period	$ 17	$ 20
Provision	3	2
Write-offs	(2)	(1)
Recoveries	1	1
Foreign exchange and other	(1)	(1)
Balance, end of period	$ 18	$ 21

4. RELATED PARTIES

Historically, the Business has been managed and operated in the ordinary course of business with other affiliates of BHC. Accordingly, certain corporate and shared costs have been allocated to the Business and reflected as expenses in the unaudited Combined Financial Statements. There have been no sales made to related parties for all periods presented.

Allocated Centralized Costs

The unaudited Combined Financial Statements have been prepared on a standalone basis and are derived from the consolidated financial statements and accounting records of BHC. BHC incurs significant corporate costs for services provided to the Business as well as to other BHC businesses. The allocated corporate and shared costs to the Business for the nine months ended September 30, 2021 and 2020 were $281 million and $260 million, respectively, and are included in Cost of goods sold (excluding amortization and impairments of intangible assets), Selling, general and administrative and Research and development in the Combined Statements of Operations. All such amounts have been deemed to have been incurred and settled by the Business in the period in which the costs were recorded and are included in the BHC investment.

In the opinion of management of BHC and the Business, the expense and cost allocations have been determined on a basis considered to be a reasonable reflection of the utilization of services provided or the benefit received by the Business during the nine months ended September 30, 2021 and 2020. The amounts that would have been, or will be incurred, on a standalone basis could differ from the amounts allocated due to economies of scale, difference in management judgment, a requirement for more or fewer employees or other factors. In addition, the future results of operations, financial position and cash flows could differ materially from the historical results presented herein.

Accounts Receivable and Payable

Certain related party transactions between the Business and BHC have been included within BHC investment in the periods presented when the related party transactions are not settled in cash.

Certain transactions between the Business and BHC and affiliate businesses are cash-settled on a current basis and, therefore, are reflected in the unaudited Combined Balance Sheets. Accounts payable to BHC and its affiliates, and accounts receivables due from BHC and its affiliates were not material for any period presented.

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Net Transfers to BHC

The total effect of the settlement of related party transactions is reflected as a financing activity in the unaudited Combined Statements of Cash Flows. The components of the Net transfers to BHC for the nine months ended September 30, 2021 and 2020 are as follows:

(in millions)	2021	2020
Cash pooling and general financing activities	$(1,159)	$(447)
Corporate allocations	281	260
Benefit from income taxes	285	9
Total net transfers to BHC	**(593)**	**(178)**
Share-based compensation	(45)	(38)
Other, net	(27)	(6)
Net transfers to BHC per Combined Statements of Cash Flows	**$ (665)**	**$(222)**

5. LICENSING AGREEMENTS

Licensing Agreements

In the normal course of business, the Business may enter into select licensing and collaborative agreements for the commercialization and/or development of unique products. These products are sometimes investigational treatments in early stage development that target unique conditions. The ultimate outcome, including whether the product will be: (i) fully developed, (ii) approved by regulatory agencies, (iii) covered by third-party payors or (iv) profitable for distribution, is highly uncertain. The commitment periods under these agreements vary and include customary termination provisions. Expenses arising from commitments, if any, to fund the development and testing of these products and their promotion are recognized as incurred. Royalties due are recognized when earned and milestone payments are accrued when each milestone has been achieved and payment is probable and can be reasonably estimated.

Option to Purchase All Ophthalmology Assets of Allegro Ophthalmics, LLC ("Allegro")

On September 21, 2020, the Business announced that it had entered into an agreement to acquire an option to purchase all of the ophthalmology assets of Allegro (the "Option"), a privately held biopharmaceutical company focused on the development of therapies that regulate integrin functions for the treatment of ocular diseases. Among the assets to be acquired if the Option were exercised, was the worldwide rights to risuteganib (Luminate®), Allegro's lead investigational compound in retina, which is believed to simultaneously act on the angiogenic, inflammatory and mitochondrial metabolic pathways implicated in diseases such as intermediate dry AMD. During 2020, the Business made and expensed as acquired in-process research and development ("IPR&D") included in Other expense, net, an initial upfront payment of $10 million to acquire the Option. However, on June 23, 2021, Allegro notified the Business that it did not raise the additional funding required under the option agreement. Pursuant to the terms of the option agreement, the Option thereby terminated, and the Business has exercised its right to convert the $10 million upfront payment into a minority equity interest in Allegro. The Business expects that it will make no additional payments pursuant to this option agreement.

6. FAIR VALUE MEASUREMENTS

Fair value measurements are estimated based on valuation techniques and inputs categorized as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities;
- Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

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- Level 3 Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using discounted cash flow methodologies, pricing models, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following fair value hierarchy table presents the components and classification of the Business' financial assets and liabilities measured at fair value on a recurring basis:

	September 30, 2021				December 31, 2020			
(in millions)	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Assets:								
Cash equivalents	$ 10	$ —	$ 10	$ —	$ 9	$ 1	$ 8	$ —
Restricted cash	$ 3	$ 3	$ —	$ —	$ —	$ —	$ —	$ —
Marketable securities	$ 1	$ —	$ 1	$ —	$ —	$ —	$ —	$ —
Liabilities:								
Acquisition-related contingent consideration	$ 9	$ —	$ —	$ 9	$ 9	$ —	$ —	$ 9
Foreign currency exchange contracts	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

There were no transfers between Level 1, Level 2 or Level 3 during the nine months ended September 30, 2021 and 2020.

Foreign Currency Exchange Contracts

In 2020 and 2021, BHC, on behalf of the Business, entered into foreign currency exchange contracts. As of September 30, 2021, these contracts had an aggregate notional amount of $44 million. The fair value of the Business' foreign currency exchange contracts as of September 30, 2021 and December 31, 2020 were $0 and $0, respectively. Included in Accrued and other current liabilities are $0 and $0 and included in Prepaid expenses and other current assets were $0 and $0 of foreign currency exchange contracts as of September 30, 2021 and December 31, 2020, respectively. During the nine months ended September 30, 2021 and 2020, the net change in fair value was a loss of $1 million and a gain of $2 million, respectively. Settlements of the Business' foreign currency exchange contracts are reported as a gain or loss in the Combined Statements of Operations as part of Foreign exchange and other and reported as operating activities in the Combined Statements of Cash Flows. During the nine months ended September 30, 2021 and 2020, the Business reported a realized loss of $1 million and a gain of $3 million, respectively, related to settlements of the Business' foreign currency exchange contracts.

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7 INVENTORIES

Inventories, net consist of:

(in millions)	September 30, 2021	December 31, 2020
Raw materials	$ 143	$ 145
Work in process	38	33
Finished goods	425	438
	$ 606	$ 616

8. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

The major components of intangible assets consist of:

	September 30, 2021			December 31, 2020		
(in millions)	Gross Carrying Amount	Accumulated Amortization and Impairments	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization and Impairments	Net Carrying Amount
Finite-lived intangible assets:						
Product brands	$ 2,659	$ (2,163)	$ 496	$ 2,687	$ (1,999)	$ 688
Corporate brands	12	(6)	6	12	(4)	8
Product rights/patents	981	(869)	112	985	(832)	153
Technology and other	66	(66)	—	66	(58)	8
Total finite-lived intangible assets	3,718	(3,104)	614	3,750	(2,893)	857
Acquired IPR&D not in service	6	—	6	7	—	7
B&L Trademark	1,698	—	1,698	1,698	—	1,698
	$ 5,422	$ (3,104)	$ 2,318	$ 5,455	$ (2,893)	$ 2,562

Long-lived assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment charges associated with these assets are included in Other expense, net in the Combined Statement of Operations. The Business continues to monitor the recoverability of its finite-lived intangible assets and tests the intangible assets for impairment if indicators of impairment are present.

Asset impairments for the nine months ended September 30, 2021 were $11 million related to the discontinuance of certain product lines. There were no asset impairments during the nine months ended September 30, 2020.

Estimated amortization expense of finite-lived intangible assets for the remainder of 2021 and the five succeeding years ending December 31 and thereafter are as follows:

(in millions)	Remainder of 2021	2022	2023	2024	2025	2026	Thereafter	Total
Amortization	$ 68	$242	$174	$ 84	$ 37	$ 3	$ 6	$614

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Goodwill

The changes in the carrying amounts of goodwill during the nine months ended September 30, 2021 and the year ended December 31, 2020 were as follows:

(in millions)	Bausch + Lomb	Vision Care/Consumer Health Care	Ophthalmic Pharmaceuticals	Surgical	Total
Balance, January 1, 2020	$ 4,554	$ —	$ —	$ —	$4,554
Assets held for sale reclassified to goodwill	10	—	—	—	10
Foreign exchange and other	121	—	—	—	121
Balance, December 31, 2020	4,685	—	—	—	4,685
Realignment of segment goodwill	(4,685)	3,674	689	322	—
Foreign exchange and other	—	(59)	(11)	(5)	(75)
Balance, September 30, 2021	$ —	$ 3,615	$ 678	$ 317	$4,610

Goodwill is not amortized but is tested for impairment at least annually on October 1st at the reporting unit level. A reporting unit is the same as, or one level below, an operating segment. The Business performs its annual impairment test by first assessing qualitative factors. Where the qualitative assessment suggests that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative fair value test is performed for that reporting unit (Step 1).

The fair value of a reporting unit refers to the price that would be received to sell the unit as a whole in an orderly transaction between market participants. The Business estimates the fair values of a reporting unit using a discounted cash flow model which utilizes Level 3 unobservable inputs The discounted cash flow model relies on assumptions regarding revenue growth rates, gross profit, projected working capital needs, selling, general and administrative expenses, research and development expenses, capital expenditures, income tax rates, discount rates and terminal growth rates. To estimate fair value, the Business discounts the forecasted cash flows of each reporting unit. The discount rate the Business uses represents the estimated weighted average cost of capital, which reflects the overall level of inherent risk involved in its reporting unit operations and the rate of return a market participant would expect to earn. The quantitative fair value test is performed utilizing long-term growth rates and discount rates applied to the estimated cash flows in estimation of fair value. To estimate cash flows beyond the final year of its model, the Business estimates a terminal value by applying an in-perpetuity growth assumption and discount factor to determine the reporting unit's terminal value.

To forecast a reporting unit's cash flows the Business takes into consideration economic conditions and trends, estimated future operating results, management's and a market participant's view of growth rates and product lives, and anticipates future economic conditions. Revenue growth rates inherent in these forecasts are based on input from internal and external market research that compare factors such as growth in global economies, recent industry trends and product life-cycles. Macroeconomic factors such as changes in economies, changes in the competitive landscape including the unexpected loss of exclusivity to the Business' product portfolio, changes in government legislation, product life-cycles, industry consolidations and other changes beyond the Business' control could have a positive or negative impact on achieving its targets. Accordingly, if market conditions deteriorate, or if the Business is unable to execute its strategies, it may be necessary to record impairment charges in the future.

2020 Annual Goodwill Impairment Testing

The Business conducted its annual goodwill impairment test of its Bausch + Lomb segment as of October 1, 2020 by first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In management's assessment, no qualitative factors were identified which suggested that it was more likely than not that the carrying amount of a reporting unit exceeded its fair value, and therefore there was no impairment to the goodwill of any reporting unit for the year 2020.

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As more fully discussed in Note 2, "SIGNIFICANT ACCOUNTING POLICIES" *Impacts of COVID 19 Pandemic*, the Business has assessed the potential impact that the COVID-19 pandemic is likely to have on its forecasted cash flows. In performing its assessment, the Business considered the possible effects and outcomes of the COVID-19 pandemic on, among other things, its supply chain, customers and distributors, employee base, product sustainability, research and development activities, product pipeline and consumer demand and related rebates and discounts and has made adjustments, although not considered to be material, to its long-term forecasts as of October 1, 2020 (the date goodwill was last tested for impairment) for these and other matters. After completing this assessment, although not completely insulated from the negative effects of the COVID-19 pandemic, the Business believes that its long-term forecasted cash flows, as adjusted for the possible outcome of the COVID-19 pandemic and other matters, do not indicate that the fair value of any reporting unit may be below its carrying value.

The Business' latest forecasts of cash flows gives consideration to the nature and timing of the expected revenue losses disclosed above. The changes in the amounts and timing of these revenues as presented in the latest forecasts include a range of potential outcomes and, are not substantial enough to materially adversely affect the recoverability of any of the associated reporting units' assets and are not material enough to indicate that the fair values of those reporting units might be below their respective carrying values.

Second Quarter 2021 - Realignment of Segments

Bausch + Lomb has historically operated as part of BHC, reported under BHC's segment structure and historically the Chief Operating Decision Maker, ("CODM"), was the CODM of BHC. As the Business is transitioning into an independent, publicly traded company, BHC's CEO, who is the Business' CODM, evaluated how to view and measure the Business' performance. This evaluation necessitated a realignment of the Business' historical segment structure, and during the second quarter of 2021, Bausch + Lomb determined it is organized into three operating segments, which are also its reportable segments and reporting units. This realignment is consistent with how the CODM: (i) assesses operating performance on a regular basis, (ii) makes resource allocation decisions and (iii) designates responsibilities of his direct reports. Pursuant to these changes, effective in the second quarter of 2021, the Business operates in the following operating and reportable segments which are generally determined based on the decision-making structure of the Business and the grouping of similar products and services: (i) Vision Care/Consumer Health Care, (ii) Ophthalmic Pharmaceuticals and (iii) Surgical.

This realignment in segment structure resulted in a change in the Business' former Bausch + Lomb reporting units, which are now divided between the: (i) Vision Care/Consumer Health Care, (ii) Ophthalmic Pharmaceuticals and (iii) Surgical reporting units. As a result of this realignment, goodwill was reassigned to each of the aforementioned reporting units using a relative fair value approach.

Immediately prior to the change in reporting units, the Business performed a qualitative fair value assessment for its former Bausch + Lomb reporting units. Based on the qualitative fair value assessment performed, Management believed that it was more likely than not that the carrying value of its former Bausch + Lomb reporting units were less than their respective fair values and therefore, concluded a quantitative assessment was not required.

Immediately following the change in reporting units, as a result of the change in composition of the net assets for its current: (i) Vision Care/Consumer Health Care, (ii) Ophthalmic Pharmaceuticals and (iii) Surgical reporting units, the Business performed a quantitative fair value assessment. The quantitative fair value test utilized long-term growth rates of 2.0% and 3.0% and a range of discount rates between 7.0% and 10.0%, in estimation of the fair value of the reporting units. After completing the testing, the fair value of each of these reporting units exceeded its carrying value by more than 45%, and, therefore, there was no impairment to goodwill.

September 30, 2021 Interim Assessment of Goodwill

No events occurred or circumstances changed during the period April 1, 2021 (the last time goodwill was tested for all reporting units) through September 30, 2021 that would indicate that the fair value of any

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reporting unit might be below its carrying value If market conditions deteriorate, if the factors and circumstances regarding the COVID 19 pandemic escalate beyond management's current expectations, or if the Business is unable to execute its strategies, it may be necessary to record impairment charges in the future.

There were no goodwill impairment charges through September 30, 2021.

9. ACCRUED AND OTHER CURRENT LIABILITIES

Accrued and other current liabilities consist of:

(in millions)	September 30, 2021	December 31, 2020
Product rebates	$ 188	$ 122
Employee compensation and benefit costs	166	168
Discounts and allowances	88	86
Product returns	73	77
Income taxes payable	71	1
Other	286	277
	$ 872	$ 731

10. PENSION AND POSTRETIREMENT EMPLOYEE BENEFIT PLANS

The Business has defined benefit plans and a participatory defined benefit postretirement medical and life insurance plan, which covers a closed grandfathered group of legacy U.S. employees and employees in certain other countries. Net periodic (benefit) cost for the Business' defined benefit pension plans and postretirement benefit plan for the nine months ended September 30, 2021 and 2020 consists of:

	Pension Benefit Plans				Postretirement Benefit Plan	
	U.S. Plan		Non-U.S. Plans			
(in millions)	2021	2020	2021	2020	2021	2020
Service cost	$ 1	$ 1	$ 2	$ 3	$—	$—
Interest cost	3	3	2	3	—	—
Expected return on plan assets	(8)	(8)	(4)	(4)		
Amortization of prior service credit and other	—	—	(1)	(1)	(2)	(2)
Amortization of net loss	—	—	1	1	—	—
Net periodic (benefit) cost	$ (4)	$ (4)	$—	$ 2	$ (2)	$ (2)

11. SHARE-BASED COMPENSATION

The Business participates in BHC's long-term incentive program. Accordingly, the following disclosures represent share-based compensation expense attributable to Bausch + Lomb based on the awards and terms previously granted under BHC's share-based compensation plans. Share-based compensation expense attributable to Bausch + Lomb is derived from: (i) the specific identification of Bausch + Lomb employees, and (ii) an allocation of charges from BHC, related to BHC employees providing corporate services to Bausch + Lomb. Accordingly, the amounts presented are not necessarily indicative of future awards and do not necessarily reflect the results that the Business would have experienced as an independent company for the periods presented.

Approximately 11,241,000 of BHC's common shares were available for future grants as of September 30, 2021. BHC uses reserved and unissued common shares to satisfy its obligation under its share-based compensation plans.

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The components and classification of share based compensation expense related to stock options and RSUs directly attributable to those employees specifically identified as Bausch + Lomb employees for the nine months ended September 30, 2021 and 2020 were as follows:

(in millions)	2021	2020
Stock options	$ 2	$ 2
RSUs	26	21
Share-based compensation expense	$ 28	$ 23
Research and development expenses	$ 5	$ 4
Selling, general and administrative expenses	23	19
Share-based compensation expense	$ 28	$ 23

In addition to share-based compensation expense attributable to employees that are specific to the Bausch + Lomb business, share-based compensation expense also includes $17 million and $15 million for the nine months ended September 30, 2021 and 2020 respectively, of allocated charges from BHC, based on revenues, related to BHC employees providing corporate services to Bausch + Lomb.

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss consists of:

(in millions)	September 30, 2021	December 31, 2020
Foreign currency translation adjustment	$ (972)	$ (835)
Pension adjustment, net of tax	(48)	(54)
	$ (1,020)	$ (889)

Income taxes are not provided for foreign currency translation adjustments arising on the translation of the Business' operations having a functional currency other than the U.S. dollar, except to the extent of translation adjustments related to the Business' retained earnings for foreign jurisdictions in which the Business is not considered to be permanently reinvested.

13. RESEARCH AND DEVELOPMENT

Included in Research and development are costs related to product development and quality assurance programs. Quality assurance are the costs incurred to meet evolving customer and regulatory standards. Research and development costs for the nine months ended September 30, 2021 and 2020 consists of:

(in millions)	2021	2020
Product related research and development	$190	$174
Quality assurance	11	13
Research and development	$201	$187

14. OTHER EXPENSE, NET

Other expense, net for the nine months ended September 30, 2021 and 2020 consists of:

(in millions)	2021	2020
Asset impairments	$ 11	$—
Restructuring and integration costs	1	1
Litigation and other matters	—	2
Acquired in-process research and development costs	1	17
Other expense, net	$ 13	$ 20

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The Business evaluates opportunities to improve its operating results and implements cost savings programs to streamline its operations and eliminate redundant processes and expenses. Restructuring and integration costs are expenses associated with the implementation of these cost savings programs include expenses associated with: (i) reducing headcount, (ii) eliminating real estate costs associated with unused or under-utilized facilities and (iii) other cost reduction initiatives.

15. INCOME TAXES

For interim financial statement purposes, U.S. GAAP income tax expense/benefit related to ordinary income is determined by applying an estimated annual effective income tax rate against a company's ordinary income, subject to certain limitations on the benefit of losses. Income tax expense/benefit related to items not characterized as ordinary income is recognized as a discrete item when incurred. The estimation of the Business' income tax provision requires the use of management forecasts and other estimates, application of statutory income tax rates, and an evaluation of valuation allowances. The Business' estimated annual effective income tax rate may be revised, if necessary, in each interim period.

Provision for income taxes for the nine months ended September 30, 2021 was $93 million. The difference between the statutory tax rate and effective tax rate was primarily attributable to jurisdictional mix of earnings and discrete tax effects of internal restructurings. Benefit from income taxes for the nine months ended September 30, 2020 was $4 million. The difference between the statutory tax rate and effective tax rate was primarily attributable to jurisdictional mix of earnings and discrete tax effects of internal restructurings.

16. LEGAL PROCEEDINGS

The Business is involved, and, from time to time, may become involved, in various legal and administrative proceedings, which include or may include product liability, intellectual property, commercial, tax, antitrust, governmental and regulatory investigations, related private litigation and ordinary course employment-related issues. From time to time, the Business also initiates or may initiate actions or file counterclaims. The Business could be subject to counterclaims or other suits in response to actions it may initiate. The Business believes that the prosecution of these actions and counterclaims is important to preserve and protect the Business, its reputation and its assets. Certain of these proceedings and actions are described in Note 18, "LEGAL PROCEEDINGS," to the Business' Combined Financial Statements included elsewhere in this document for the year ended December 31, 2020.

On a quarterly basis, the Business evaluates developments in legal proceedings, potential settlements and other matters that could increase or decrease the amount of the liability accrued. As of September 30, 2021, the Business' Combined Balance Sheets includes accrued current loss contingencies of $5 million related to matters which are both probable and reasonably estimable. For all other matters, unless otherwise indicated, the Business cannot reasonably predict the outcome of these legal proceedings, nor can it estimate the amount of loss, or range of loss, if any, that may result from these proceedings. An adverse outcome in certain of these proceedings could have a material adverse effect on the Business' business, financial condition and results of operations, and could cause the market value of its common shares and/or debt securities to decline.

Antitrust

Generic Pricing Antitrust Litigation

BHC's subsidiaries, Oceanside Pharmaceuticals, Inc. ("Oceanside"), Bausch Health US, LLC (formerly Valeant Pharmaceuticals North America LLC) ("Bausch Health US"), and Bausch Health Americas, Inc. (formerly Valeant Pharmaceuticals International) ("Bausch Health Americas") (for the purposes of this paragraph, collectively, the "Company"), are defendants in multidistrict antitrust litigation ("MDL") entitled

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In re Generic Pharmaceuticals Pricing Antitrust Litigation, pending in the United States District Court for the Eastern District of Pennsylvania (MDL 2724, 16- F-18 MD-2724). The lawsuits seek damages under federal and state antitrust laws, state consumer protection and unjust enrichment laws and allege that the Company's subsidiaries entered into a conspiracy to fix, stabilize, and raise prices, rig bids and engage in market and customer allocation for generic pharmaceuticals. The lawsuits, which have been brought as putative class actions by direct purchasers, end payers, and indirect resellers, and as direct actions by direct purchasers, end payers, insurers, States, and various Counties, Cities, and Towns, have been consolidated into the MDL. There are also additional, separate complaints which have been consolidated in the same MDL that do not name the Company or any of its subsidiaries as a defendant. There are cases pending in the Court of Common Pleas of Philadelphia County against the Company and other defendants related to the multidistrict litigation, but no complaint has been filed in these cases. The cases have been or, the Company anticipates will be, put in deferred status. The Company disputes the claims against it and these cases will be defended vigorously

Additionally, BHC and certain U.S. and Canadian subsidiaries (for the purposes of this paragraph, collectively "the Company") have been named as defendants in a proposed class proceeding entitled Kathryn Eaton v. Teva Canada Limited, et al. in the Federal Court in Toronto, Ontario, Canada (Court File No. T-607-20). The plaintiff seeks to certify a proposed class action on behalf of persons in Canada who purchased generic drugs in the private sector, alleging that the Company and other defendants violated the Competition Act by conspiring to allocate the market, fix prices, and maintain the supply of generic drugs, and seeking damages under federal law. The proposed class action contains similar allegations to the In re: Generic Pharmaceuticals Pricing Antitrust Litigation pending in the United States Court for the Eastern District of Pennsylvania. The Company disputes the claims against it and this case will be defended vigorously.

These lawsuits cover products of both the Business and BHC's other businesses It is anticipated that the Business and BHC will split the fees and expenses associated with defending these claims, as well as any potential damages or other liabilities awarded in or otherwise arising from these claims, in the manner set forth in the Master Separation Agreement.

Product Liability

Shower to Shower® Products Liability Litigation

Since 2016, BHC has been named in a number of product liability lawsuits involving the Shower to Shower® body powder product acquired in September 2012 from Johnson & Johnson; due to dismissals, thirty (30) of such product liability suits currently remain pending. Potential liability (including its attorneys' fees and costs) arising out of these remaining suits is subject to full indemnification obligations of Johnson & Johnson owed to BHC and its affiliates, including the Business, and legal fees and costs will be paid by Johnson & Johnson. Twenty-eight (28) of these lawsuits filed by individual plaintiffs allege that the use of Shower to Shower® caused the plaintiffs to develop ovarian cancer, mesothelioma or breast cancer. The allegations in these cases include failure to warn, design defect, manufacturing defect, negligence, gross negligence, breach of express and implied warranties, civil conspiracy concert in action, negligent misrepresentation, wrongful death, loss of consortium and/or punitive damages. The damages sought include compensatory damages, including medical expenses, lost wages or earning capacity, loss of consortium and/or compensation for pain and suffering, mental anguish anxiety and discomfort, physical impairment and loss of enjoyment of life. Plaintiffs also seek pre- and post-judgment interest, exemplary and punitive damages, and attorneys' fees. Additionally, two proposed class actions have been filed in Canada against BHC and various Johnson & Johnson entities (one in the Supreme Court of British Columbia and one in the Superior Court of Quebec), on behalf of persons who have purchased or used Johnson & Johnson's Baby Powder or Shower to Shower®. The class actions allege the use of the product increases certain health risks (British Columbia) or negligence in failing to properly test, failing to warn of health risks, and failing to remove the products from the market in a timely manner (Quebec). The plaintiffs in these actions are seeking awards of general, special, compensatory and punitive damages. On November 17, 2020, the British Columbia court issued a judgment declining to certify a class as to BHC or Shower to Shower®, and at this time no appeal of that judgment has been filed.

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Johnson & Johnson, through one or more subsidiaries has purported to have completed a Texas divisional merger with respect to any talc liabilities at Johnson & Johnson Consumer, Inc. ("JJCI"). LTL Management, LLC ("LTL"), the resulting entity of the divisional merger, assumed JJCI's talc liabilities and thereafter filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court for the Western District of North Carolina. Pursuant to a court order, the case was transferred to the United States District Court for the District of New Jersey. Notwithstanding the divisional merger and LTL's bankruptcy case, BHC and the Business continue to have indemnification claims and rights against Johnson & Johnson and LTL pursuant to the terms of the indemnification agreement entered into between JJCI and its affiliates and BHC and its affiliates, which indemnification agreement remains in effect. As a result, it is our current expectation that BHC and the Business will not incur any material impairments with respect to its indemnification claims as a result of the divisional merger or the bankruptcy. Cases related to Johnson & Johnson's talc liability are stayed for 60 days pursuant to a preliminary injunction issued by the bankruptcy court. To the extent that any cases proceed during the pendency of the bankruptcy case, it is our expectation that Johnson & Johnson, in accordance with the indemnification agreement, will continue to vigorously defend BHC and the Business in each of the remaining actions.

In accordance with the indemnification agreement, Johnson & Johnson will continue to vigorously defend BHC in each of the remaining actions that are not voluntarily dismissed or subject to a grant of summary judgment.

General Civil Actions

California Proposition 65 Related Matter

On January 29, 2020, Plaintiff Jan Graham filed a lawsuit (Graham v. Bausch Health Companies, Inc., et al., Case No. 20STCV03578) in Los Angeles County Superior Court against BHC, Bausch Health US (as defined below) and several other manufacturers, distributors and retailers of talcum powder products, alleging violations of California Proposition 65 by manufacturing and distributing talcum powder products containing chemicals listed under the statue, without a compliant warning on the label. On January 29, 2021, certain defendants including BHC and Bausch Health US filed a Motion for Summary Judgment or in the Alternative Motion for Summary Adjudication, which was granted with prejudice on May 26, 2021; Plaintiff waived the right to appeal.

On June 19, 2019, plaintiffs filed a proposed class action in California state court against Bausch Health US and Johnson & Johnson (Gutierrez, et al. v. Johnson & Johnson, et al., Case No. 37-2019-00025810-CU-NP-CTL), asserting claims for purported violations of the California Consumer Legal Remedies Act, False Advertising Law and Unfair Competition Law in connection with their sale of talcum powder products that the plaintiffs allege violated Proposition 65 and/or the California Safe Cosmetics Act. This lawsuit was served on Bausch Health US in June 2019 and was subsequently removed to the United States District Court for the Southern District of California, where it is currently pending. Plaintiffs seek damages, disgorgement of profits, injunctive relief, and reimbursement/restitution. BHC filed a motion to dismiss Plaintiffs' claims, which was granted in April 2020 without prejudice. In May 2020, Plaintiffs filed an amended complaint and in June 2020, filed a motion for leave to amend the complaint further, which was granted. In August 2020, Plaintiffs filed the Fifth Amended Complaint. On January 22, 2021, the Court granted the motion to dismiss with prejudice. On February 19, 2021, Plaintiffs filed a Notice of Appeal with the Ninth Circuit Court of Appeals. On July 1, 2021, Appellants (Plaintiffs) filed their opening brief; Appellees' response brief was filed October 8, 2021. Appellants' reply brief is due December 2, 2021.

BHC and Bausch Health US dispute the claims against them and this lawsuit will be defended vigorously.

New Mexico Attorney General Consumer Protection Action

BHC and Bausch Health US were named in an action brought by State of New Mexico ex rel. Hector H. Balderas, Attorney General of New Mexico, in the County of Santa Fe New Mexico First Judicial District

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Court (New Mexico ex rel. Balderas v. Johnson & Johnson, et al., Civil Action No. D-101-CV-2020-00013, filed on January 2, 2020), alleging consumer protection claims against Johnson & Johnson and Johnson & Johnson Consumer Companies, Inc., BHC and Bausch Health US related to Shower to Shower® and its alleged causal link to mesothelioma and other cancers. In April 2020, Bausch Health US filed a motion to dismiss, which in September 2020, the Court granted in part as to the New Mexico Medicaid Fraud Act and New Mexico Fraud Against Taxpayers Act claims and denied as to all other claims. The State of New Mexico brings claims against all defendants under the New Mexico Unfair Practices Act and other common law and equitable causes of action, alleging defendants engaged in wrongful marketing, sale and promotion of talcum powder products. The lawsuit seeks to recover the cost of the talcum powder products as well as the cost of treating asbestos-related cancers allegedly caused by those products. Bausch Health US filed its answer on November 16, 2020. On December 30, 2020 Johnson & Johnson filed a Motion for Partial Judgment on the Pleadings and on January 4, 2021, Bausch Health US filed a joinder to that motion, which was denied on March 8, 2021

BHC and Bausch Health US dispute the claims against them and this lawsuit will be defended vigorously.

Doctors Allergy Formula Lawsuit

In April 2018, Doctors Allergy Formula, LLC ("Doctors Allergy"), filed a lawsuit against Bausch Health Americas in the Supreme Court of the State of New York, County of New York, asserting breach of contract and related claims under a 2015 Asset Purchase Agreement, which purports to include milestone payments that Doctors Allergy alleges should have been paid by Bausch Health Americas. Doctors Allergy claims its damages are not less than $23 million. Bausch Health Americas has asserted counterclaims against Doctors Allergy. Bausch Health Americas filed a motion seeking an order granting Bausch Health Americas summary judgment on its counterclaims against Plaintiff and dismissing Plaintiff's claims against the Business. The motion was fully briefed as of May 2021 and remains pending. Bausch Health Americas disputes the claims against it and this lawsuit will be defended vigorously.

Pre-Suit Notice and Demand Letter re Eye Drop Products

On August 31, 2021, Bausch & Lomb Incorporated ("B&L Inc.") received a pre-suit notice and demand letter pursuant to California Civil Code Section 1782, attaching a proposed Class Action Complaint (the "Notice Letter") from an attorney on behalf of an individual seeking to represent a class of purchasers of Soothe® eye drop products labeled "preservative free." The Notice Letter alleges B&L Inc. may be liable under the California Consumer Legal Remedies Act, False Advertising Law, and Unfair Competition Law in connection with, *inter alia,* the labeling and marketing of Soothe® eye drop products as "preservative-free" when they contain the alleged preservative boric acid. B&L intends to vigorously defend itself, including in the event litigation commences.

Intellectual Property Matters

PreserVision® AREDS Patent Litigation

PreserVision® AREDS and PreserVision® AREDS 2 are OTC eye vitamin formulas for those with moderate-to-advanced AMD. The PreserVision® U.S. formulation patent expired in March 2021, but a patent covering methods of using the formulation remains in force into 2026. B&L has filed patent infringement proceedings against 16 defendants claiming infringement of these patents and, in certain circumstances, related unfair competition and false advertising causes of action. Eleven of these proceedings were subsequently settled; two resulted in a default. One defendant filed a declaratory judgment action after B&L Inc. filed its suit, seeking declaratory judgment related to patent claims as well as false advertising and unfair competition claims. Today, there are four ongoing actions: (1) Bausch & Lomb Inc. & PF Consumer Healthcare 1 LLC v. ZeaVision LLC, C.A. No. 6:20- cv-06452-CJS (W.D.N.Y.); (2) ZeaVision LLC v. Bausch & Lomb Inc. & PF Consumer Healthcare 1 LLC, C.A. No. 4:21-cv-00072-NCC (E.D. Mo.); (3)

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Bausch & Lomb Inc & PF Consumer Healthcare 1 LLC v SBH Holdings LLC, C A No 20 cv 01463 LPS (D Del); and (4) Bausch & Lomb Inc. & PF Consumer Healthcare 1 LLC v. Nature Made Nutritional Products & Pharmavite LLC, C.A. No. 21-cv-01030-UNA (D. Del.). The Business remains confident in the strength of these patents and B&L Inc. will continue to vigorously pursue these matters and defend its intellectual property.

Lumify® Paragraph IV

On August 16, 2021, B&L Inc. received a Notice of Paragraph IV Certification from Slayback Pharma LLC ("Slayback"), in which Slayback asserted that certain U.S. patents, each of which is listed in the FDA's Orange Book for Lumify® (brimonidine tartrate solution) drops (the "Lumify Patents"), are either invalid, unenforceable and/or will not be infringed by the commercial manufacture, use or sale of Slayback's generic drops, for which an Abbreviated New Drug Application ("ANDA") has been filed by Slayback. B&L Inc., through its affiliate Bausch + Lomb Ireland Limited, exclusively licenses the Lumify Patents from Eye Therapies, LLC ("Eye Therapies"). On September 10, 2021, B&L Inc., Bausch + Lomb Ireland Limited and Eye Therapies filed suit against Slayback pursuant to the Hatch-Waxman Act, alleging infringement by Slayback of one or more claims of the Lumify Patents, thereby triggering a 30-month stay of the approval of the Slayback ANDA. The Business remains confident in the strength of the Lumify® related patents and B&L Inc. intends to vigorously defend its intellectual property.

17. SEGMENT INFORMATION

Reportable Segments

Bausch + Lomb has historically operated as part of BHC, reported under BHC's segment structure and historically the CODM was the CODM of BHC. As the Business is transitioning into an independent, publicly traded company, BHC's CEO, who is the Business' CODM, evaluated how to view and measure the Business' performance. This evaluation necessitated a realignment of the Business' historical segment structure, and during the second quarter of 2021, Bausch + Lomb determined it is organized into three operating segments, which are also its reportable segments. This realignment is consistent with how the CODM: (i) assesses operating performance on a regular basis, (ii) makes resource allocation decisions and (iii) designates responsibilities of his direct reports. Pursuant to these changes, effective in the second quarter of 2021, the Business operates in the following reportable segments which are generally determined based on the decision-making structure of the Business and the grouping of similar products and services: (i) Vision Care/Consumer Health Care, (ii) Ophthalmic Pharmaceuticals and (iii) Surgical. Prior period presentations have been recast to conform to the current segment reporting structure.

- ***The Vision Care / Consumer Health Care segment*** consists of: (i) sales of contact lenses that span the spectrum of wearing modalities, including daily disposable and frequently replaced contact lenses and (ii) sales of contact lens care products and OTC eye drops, eye vitamins and mineral supplements that address various conditions including eye allergies, conjunctivitis and dry eye.
- ***The Ophthalmic Pharmaceuticals segment*** consists of sales of a broad line of proprietary and generic pharmaceutical products for post-operative treatments and the treatment of a number of eye conditions such as glaucoma, ocular hypertension and retinal diseases and contact lenses that are indicated for therapeutic use and can also provide optical correction during healing if required.
- ***The Surgical segment*** consists of sales of tools and technologies for the treatment of cataracts, and vitreous and retinal eye conditions and includes intraocular lenses and delivery systems, phacoemulsification equipment and other surgical instruments and devices.

Segment profit is based on operating income after the elimination of intercompany transactions. Certain costs, such as Amortization of intangible assets, Asset impairments, In-process research and development costs, Restructuring and integration costs, Acquisition-related contingent consideration costs and Other expense (income), net, are not included in the measure of segment profit, as management excludes these items in assessing segment financial performance.

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Corporate includes the finance, treasury, certain research and development programs, tax and legal operations of Bausch + Lomb's businesses and incurs certain expenses, gains and losses related to the overall management of the Business, which are not allocated to the other business segments. In assessing segment performance and managing operations, management does not review segment assets. Furthermore, a portion of share-based compensation is considered a corporate cost, since the amount of such expense depends on company-wide performance rather than the operating performance of any single segment.

Segment Revenues and Profit

Segment revenues and profits for the nine months ended September 30, 2021 and 2020 were as follows:

(in millions)	Nine Months Ended September 30, 2021	2020
Revenues:		
Vision Care/Consumer Health Care	$1,717	$1,528
Ophthalmic Pharmaceuticals	527	546
Surgical	520	394
Total revenues	$2,764	$2,468
Segment profit:		
Vision Care/Consumer Health Care	$ 431	$ 419
Ophthalmic Pharmaceuticals	208	233
Surgical	55	—
Total segment profit	694	652
Corporate	(219)	(208)
Amortization of intangible assets	(225)	(247)
Other expense, net	(13)	(20)
Operating income	237	177
Interest income	—	2
Foreign exchange and other	(5)	8
Income before (provision for) benefit from income taxes	$ 232	$ 187

Revenues by Segment and by Product Category

Revenues by segment and product category were as follows:

	Vision Care/ Consumer Health Care		Ophthalmic Pharmaceuticals		Surgical		Total	
	Nine Months Ended September 30,							
(in millions)	2021	2020	2021	2020	2021	2020	2021	2020
Pharmaceuticals	$ 15	$ 6	$ 364	$ 364	$—	$—	$ 379	$ 370
Devices	664	539	—	—	511	382	1,175	921
OTC	1,009	957	—	—	—	—	1,009	957
Branded and Other Generics	22	19	158	177	—	—	180	196
Other revenues	7	7	5	5	9	12	21	24
	$1,717	$1,528	$ 527	$ 546	$520	$394	$ 2,764	$ 2,468

The top ten products for the nine months ended September 30, 2021 and 2020 represented 33% and 32% of total revenues for the nine months ended September 30, 2021 and 2020, respectively.

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Geographic Information

Revenues are attributed to a geographic region based on the location of the customer and were as follows:

(in millions)	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
U.S. and Puerto Rico	$1,211	$1,160
China	277	190
Japan	167	156
France	155	128
Germany	112	103
United Kingdom	80	56
Russia	75	67
Canada	75	66
Spain	57	45
Italy	54	48
Netherlands	15	18
South Korea	36	37
Poland	32	26
Sweden	28	25
Other	390	343
	$2,764	$2,468

Certain reclassifications have been made and are reflected in the table above.

Major Customers

No individual customer accounted for 10% or more of total revenues.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Bausch Health Companies Inc.

Opinion on the Financial Statements

We have audited the accompanying combined balance sheets of Bausch + Lomb (a Business of Bausch Health Companies Inc.) (the "Company") as of December 31, 2020 and 2019, and the related combined statements of operations, of comprehensive income, of equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes (collectively referred to as the "combined financial statements"). In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note 2 to the combined financial statements, the Company changed the manner in which it accounts for leases in 2019 and the manner in which it accounts for income taxes and goodwill in 2018.

Basis for Opinion

These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's combined financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these combined financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the combined financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the combined financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the combined financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the combined financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Finite-Lived Intangible Assets Impairment Assessment

As described in Note 8 to the combined financial statements, the Company's total finite-lived net intangible assets balance was $857 million as of December 31, 2020, which consists of product and corporate brands,

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product rights/patents, and technology and other assets As disclosed by management, finite lived intangible assets are evaluated for potential impairment whenever events or changes in circumstances indicate that the carrying value of an asset group may not be recoverable. If indicators of impairment are present, the asset group is tested for recoverability by comparing the carrying value of the asset group to the related estimated undiscounted future cash flows expected to be derived from the asset group.

The principal considerations for our determination that performing procedures relating to the finite-lived intangible assets impairment assessment is a critical audit matter are (i) the significant judgment by management in the identification of events that indicate the carrying value of an asset group might not be recoverable and in developing the undiscounted future cash flow projections used in the impairment testing assessment, and (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to management's undiscounted future cash flow projections

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the combined financial statements. These procedures included testing the effectiveness of controls relating to management's finite-lived intangible assets impairment assessment, including controls over the development of the undiscounted future cash flow projections to estimate recoverability and controls over the identification of events that suggest an asset group might not be recoverable. These procedures also included, among others (i) testing management's process for identifying events that indicate the carrying value of an asset group might not be recoverable, (ii) evaluating the appropriateness of the undiscounted cash flow model used in the impairment assessment, (iii) testing the completeness and accuracy of underlying data used in the model, and (iv) evaluating the reasonableness of the significant assumptions used by management related to the undiscounted future cash flow projections. Evaluating the reasonableness of management's assumptions related to the undiscounted future cash flow projections involved evaluating whether the assumptions used by management were reasonable considering the current and past performance of the asset group and whether these assumptions were consistent with evidence obtained in other areas of the audit.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey
May 27, 2021, except for the change in composition of reportable segments discussed in Note 20 to the combined financial statements, as to which the date is September 3, 2021.

We have served as the Company's auditor since 2020.

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BAUSCH + LOMB
COMBINED BALANCE SHEETS
(in millions)

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 238	$ 192
Trade receivables, net (Note 3)	645	713
Inventories, net	616	592
Prepaid expenses and other current assets	155	198
Total current assets	1,654	1,695
Property, plant and equipment, net	1,164	997
Intangible assets, net	2,562	2,855
Goodwill	4,685	4,554
Deferred tax assets, net	1,036	1,192
Other non-current assets	165	175
Total assets	$11,266	$11,468
Liabilities		
Current liabilities:		
Accounts payable (Note 3)	$ 178	$ 262
Accrued and other current liabilities	731	773
Total current liabilities	909	1,035
Deferred tax liabilities, net	27	38
Other non-current liabilities	342	363
Total liabilities	1,278	1,436
Commitments and contingencies (Notes 18 and 19)		
Equity		
BHC investment	10,807	11,005
Accumulated other comprehensive loss	(889)	(1,046)
Net BHC investment	9,918	9,959
Noncontrolling interest	70	73
Total equity	9,988	10,032
Total liabilities and equity	$11,266	$11,468

The accompanying notes are an integral part of these combined financial statements.

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BAUSCH + LOMB
COMBINED STATEMENTS OF OPERATIONS
(in millions)

	Years Ended December 31, 2020	2019	2018
Revenues			
Product sales	$3,381	$3,729	$3,615
Other revenues	31	49	50
	3,412	3,778	3,665
Expenses			
Cost of goods sold (excluding amortization and impairments of intangible assets) (Note 3)	1,269	1,301	1,287
Cost of other revenues	16	26	26
Selling, general and administrative (Note 3)	1,253	1,382	1,327
Research and development (Note 3)	253	258	221
Amortization of intangible assets	323	348	377
Other expense, net	38	67	11
	3,152	3,382	3,249
Operating income	260	396	416
Interest income	3	1	—
Foreign exchange and other	27	2	1
Income before (provision for) benefit from income taxes	290	399	417
(Provision for) benefit from income taxes	(307)	(96)	302
Net (loss) income	(17)	303	719
Net income attributable to noncontrolling interest	(1)	(5)	(9)
Net (loss) income attributable to Bausch + Lomb	$ (18)	$ 298	$ 710

The accompanying notes are an integral part of these combined financial statements.

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BAUSCH + LOMB
COMBINED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Years Ended December 31,		
	2020	2019	2018
Net (loss) income	$ (17)	$ 303	$ 719
Other comprehensive income (loss)			
Pension and postretirement benefit plan adjustments:			
Net actuarial loss arising during the year	(9)	(6)	(8)
Amortization of prior service credit	(4)	(4)	(4)
Amortization of net loss	1	1	1
Income tax benefit (expense)	3	(2)	3
Foreign currency impact	(4)	1	1
Net pension and postretirement benefit plan adjustments	(13)	(10)	(7)
Foreign currency translation adjustment	173	10	(194)
Other comprehensive income (loss)	160	—	(201)
Comprehensive income	143	303	518
Comprehensive income attributable to noncontrolling interest	(4)	(4)	(6)
Comprehensive income attributable to Bausch + Lomb	$ 139	$ 299	$ 512

The accompanying notes are an integral part of these combined financial statements.

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BAUSCH + LOMB
COMBINED STATEMENTS OF EQUITY
(in millions)

	BHC Investment	Accumulated Other Comprehensive Loss	Net BHC Investment	Noncontrolling Interest	Total Equity
Balance, January 1, 2018	**$ 10,667**	**$ (849)**	**$ 9,818**	**$ 87**	**$ 9,905**
Effect of application of new accounting standard: Income taxes	462	—	462	—	462
Net decrease in BHC investment	(595)	—	(595)	—	(595)
Noncontrolling interest distributions	—	—	—	(11)	(11)
Net income	710	—	710	9	719
Other comprehensive loss	—	(198)	(198)	(3)	(201)
Balance, December 31, 2018	**11,244**	**(1,047)**	**10,197**	**82**	**10,279**
Net decrease in BHC investment	(537)	—	(537)	—	(537)
Noncontrolling interest distributions	—	—	—	(13)	(13)
Net income	298	—	298	5	303
Other comprehensive income (loss)	—	1	1	(1)	—
Balance, December 31, 2019	**11,005**	**(1,046)**	**9,959**	**73**	**10,032**
Net decrease in BHC investment	(180)	—	(180)	—	(180)
Noncontrolling interest distributions	—	—	—	(7)	(7)
Net (loss) income	(18)	—	(18)	1	(17)
Other comprehensive income	—	157	157	3	160
Balance, December 31, 2020	**$ 10,807**	**$ (889)**	**$ 9,918**	**$ 70**	**$ 9,988**

The accompanying notes are an integral part of these combined financial statements.

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BAUSCH + LOMB
COMBINED STATEMENTS OF CASH FLOWS
(in millions)

	Years Ended December 31,		
	2020	2019	2018
Cash Flows From Operating Activities			
Net (loss) income	$ (17)	$ 303	$ 719
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization of intangible assets	442	469	495
Asset impairments	1	16	52
Acquisition-related contingent consideration	—	—	(29)
Allowances for losses on trade receivables and inventories	30	28	28
Deferred income taxes	97	(39)	(444)
Gain on disposal of assets and businesses	—	—	(13)
Additions to accrued legal settlements	6	16	(2)
Payments of accrued legal settlements	(12)	(11)	(25)
Share-based compensation	50	50	43
Foreign exchange (gain) loss	(19)	2	7
Other	3	5	10
Changes in operating assets and liabilities:			
Trade receivables	77	(21)	(9)
Inventories	(32)	(91)	(7)
Prepaid expenses and other current assets	40	(6)	(43)
Accounts payable, accrued and other liabilities	(144)	78	(19)
Net cash provided by operating activities	522	799	763
Cash Flows From Investing Activities			
Acquisition of intangible assets and other assets	(6)	—	—
Purchases of property, plant and equipment	(253)	(180)	(101)
Purchases of marketable securities	(6)	(16)	(7)
Proceeds from sale of marketable securities	9	10	7
Proceeds from sale of assets and businesses, net of costs to sell	—	—	27
Net cash used in investing activities	(256)	(186)	(74)
Cash Flows From Financing Activities			
Payments of contingent consideration	—	—	(1)
Payments of noncontrolling interest distributions	(7)	(13)	(11)
Net transfers to BHC	(225)	(593)	(653)
Net cash used in financing activities	(232)	(606)	(665)
Effect of exchange rate changes on cash and cash equivalents	12	(3)	(8)
Net increase in cash and cash equivalents	46	4	16
Cash and cash equivalents, beginning of year	192	188	172
Cash and cash equivalents, end of year	$ 238	$ 192	$ 188

The accompanying notes are an integral part of these combined financial statements.

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BAUSCH + LOMB
NOTES TO COMBINED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Bausch + Lomb (a business of Bausch Health Companies Inc.) ("Bausch + Lomb" or the "Business"), is a leading global eye health company dedicated to protecting and enhancing the gift of sight for millions of people around the world—from the moment of birth through every phase of life. The Business operates in three reportable segments: (i) Vision Care/Consumer Health Care segment which includes both a contact lens business and a consumer eye care business that consists of contact lens care products, over-the-counter ("OTC") eye drops and eye vitamins, (ii) Ophthalmic Pharmaceuticals segment which consists of a broad line of proprietary pharmaceutical products for post-operative treatments and treatments for a number of eye conditions, such as glaucoma, eye-inflammation, ocular hypertension, dry eyes and retinal diseases and (iii) Surgical segment which consists of medical device equipment, consumables and instrumental tools and technologies for the treatment of corneal, cataracts, and vitreous and retinal eye conditions, and includes intraocular lenses and delivery systems, phacoemulsification equipment and other surgical instruments and devices necessary for cataract surgery. See Note 20, "SEGMENT INFORMATION" for additional information regarding these reportable segments.

The Business was acquired in 2013 and remains wholly owned by Bausch Health Companies Inc " ("BHC" or "Parent") On August 6, 2020, BHC announced its plan to separate Bausch + Lomb into an independent publicly traded company (the "Separation").

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Business has historically operated as part of BHC; therefore, standalone financial statements have not historically been prepared. The accompanying Combined Financial Statements have been prepared from BHC's historical accounting records and policies and are presented on a standalone basis as if the Business' operations had been conducted independently from BHC. These Combined Financial Statements have been prepared by the Business in United States ("U.S.") dollars and in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), applied on a consistent basis. The Combined Financial Statements of the Business include assets and liabilities that have been determined to be specifically identifiable or otherwise attributable to the Business.

As the Business has historically operated as part of BHC, the Business relied on BHC's corporate and other support functions. Therefore, certain corporate and shared costs have been allocated to the Business, including expenses related to BHC support functions that are provided on a centralized basis, including expenses for executive oversight, treasury, accounting, legal, human resources, shared services, compliance, procurement, information technology and other corporate functions. The expenses associated with these services generally include all payroll and benefit costs, certain share-based compensation expenses related to BHC's long-term incentive program for BHC employees who are providing corporate services to the Business, certain expenses associated with corporate insurance coverage and medical, pension, postretirement and other health plan costs for employees participating in BHC sponsored plans, as well as overhead costs related to the support functions. These expenses have been allocated to the Business based on a specific identification basis or, when specific identification is not practicable, a proportional cost allocation method. Allocations are based on direct usage where identifiable as well a number of other utilization measures including headcount and relative revenues.

Management believes these cost allocations are a reasonable reflection of the utilization of services provided to, or the benefit derived by, the Business during the periods presented, though the allocations may not be indicative of the actual costs that would have been incurred had the Business operated as a standalone public company. Actual costs that may have been incurred if the Business had been a standalone company would

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depend on a number of factors, including the chosen organizational structure, whether functions were outsourced or performed by the Business' employees, and strategic decisions made in areas such as research and development, information technology and infrastructure.

Following the Separation, certain functions that BHC provided to the Business prior to the Separation will either continue to be provided to the Business by BHC under a transition services agreement or will be performed using the Business' own resources or third-party service providers.

The Business' Combined Balance Sheets include all assets and liabilities directly attributable to Bausch + Lomb. To the extent that assets such as facilities are shared between Bausch + Lomb and other BHC owned businesses, the assets and any related lease liabilities are not included in the Business' Combined Balance Sheets, however a charge has been allocated in the Business' Combined Statements of Operations for Bausch + Lomb's utilization of these assets.

The Business' Combined Statements of Operations include all revenues and expenses directly attributable to Bausch + Lomb, including charges and allocations for facilities, functions and services used by Bausch + Lomb. All charges and allocations for facilities, functions and services performed by BHC have been recorded through BHC Investment by Bausch + Lomb to BHC in the period in which the cost was recorded in the Combined Statements of Operations. Current and deferred income taxes in the combined financial statements have been calculated on a separate return basis. However, because the Business filed as part of BHC's tax group in certain jurisdictions, the Business' actual tax balances may differ from those reported. The Business' portion of its domestic and certain income taxes for jurisdictions outside the U.S. are deemed to have been settled in the period the related tax expense was recorded.

BHC utilizes a centralized approach to cash management and the financing of its operations. Cash generated by the Business is routinely transferred into accounts managed by BHC's centralized treasury function and cash disbursements for the Business' operations are funded as needed by BHC. Cash and cash equivalents legally owned by the Business are reflected in the Business' Combined Balance Sheets. All other cash, cash equivalents and short-term investments are generally held centrally through accounts controlled and maintained by BHC and are not specifically identifiable to the Business. Transactions between BHC and Bausch + Lomb are deemed to have been settled immediately through BHC's net investment, other than those transactions which have historically been cash-settled and which are reflected in the Combined Balance Sheets within Trade receivables, net and Accounts payable. The net effect of the deemed settled transactions is reflected in the Combined Statements of Cash Flows as Net transfers to BHC within financing activities and in the Combined Balance Sheets within BHC investment. See "BHC investment" discussed in this Note 2 and Note 3, "RELATED PARTIES" for additional details.

BHC's third-party debt and related interest expense have not been attributed to the Business because the borrowings are not specifically identifiable to the Business. However, in connection with the Separation, the Business expects to incur indebtedness directly attributable to the Business and such indebtedness would cause the Business to record additional interest expense in future periods.

BHC enters into cross currency swaps and foreign currency exchange contracts to hedge certain foreign exchange exposures across BHC's business. These instruments have been attributed to the Business based on a specific identification basis or, when specific identification is not practicable, the related income or expense for these instruments has been allocated based on relative net assets and revenues.

All intercompany accounts and transactions within the Business have been eliminated in the preparation of the Combined Financial Statements. The noncontrolling interest represents the noncontrolling investors' interests in the results of subsidiaries that the Business controls and combines.

Impacts of COVID-19 Pandemic

The unprecedented nature of the COVID-19 pandemic has adversely impacted the global economy. The COVID-19 pandemic and the rapidly evolving reactions of governments, private sector participants and the

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public in an effort to contain the spread of the COVID 19 virus and/or address its impacts have intensified and have had significant direct and indirect effects on businesses and commerce. This includes, but is not limited to, disruption to supply chains, employee base and transactional activity, facilities closures and production suspensions. The COVID-19 pandemic has also significantly increased demand for certain goods and services, such as pandemic related medical services and supplies, alongside decreased demand for others, such as retail, hospitality, elective medical procedures and travel.

The extent to which these events may continue to impact the Business' operations, financial condition, cash flows and results of operations, in particular, will depend on future developments which are highly uncertain and many of which are outside the Business' control. Such developments include the availability and effectiveness of vaccines for the COVID-19 virus, the ultimate geographic spread and duration of the pandemic, the extent and duration of a resurgence of the COVID-19 virus and variant strains thereof, such as the Delta variant, new information concerning the severity of the COVID-19 virus, the effectiveness and intensity of measures to contain the COVID-19 virus and the economic impact of the pandemic and the reactions to it. Such developments, among others, depending on their nature, duration and intensity, could have a significant adverse effect on Bausch + Lomb's business, financial condition, cash flows and results of operations.

In response to the COVID-19 pandemic, the Business has taken actions to protect its employees, customers and other stakeholders and mitigate the negative impact of the COVID-19 pandemic on its operations and operating results. These and additional actions can increase the costs of doing business during the pandemic and in the periods that follow, may include the costs of idling and reopening certain facilities in affected areas. Further, social restrictions and other precautionary measures taken by customers, health care patients and consumers in response to the pandemic are expected to impact the timing and amount of revenues during the COVID-19 pandemic.

To date, the Business has been able to continue its operations with limited disruptions in supply and manufacturing. Although, it is difficult to predict the broad macroeconomic effects that the COVID-19 pandemic will have on industries or individual companies, the Business has assessed the possible effects and outcomes of the pandemic on, among other things, its supply chain, customers and distributors, discounts and rebates, employee base, product sustainability, research and development efforts, product pipeline and consumer demand.

Beginning in March 2020 and throughout most of the second quarter the Business' revenues were negatively impacted by the social restrictions and other precautionary measures taken in response to the COVID-19 pandemic. However, as governments began lifting social restrictions, allowing offices of certain health care providers to reopen and certain surgeries and elective medical procedures to proceed, the negative trend in the revenues of certain businesses began to level off and stabilize prior to its third quarter of 2020. Presuming there continues to be increased availability of effective vaccines and any further resurgence of the COVID-19 virus and variant strains thereof, such as the Delta variant, do not have a material adverse impact on efforts to contain the COVID-19 virus, the Business anticipates an ongoing, gradual global recovery from the macroeconomic and health care impacts of the pandemic that occurred during the first-half of 2020 and anticipates that its affected businesses will likely return to pre-pandemic levels during 2021. However, the rates of recovery for each business will vary by geography and will be dependent upon, among other things, the availability and effectiveness of vaccines for the COVID-19 virus, government responses, rates of economic recovery, precautionary measures taken by patients and customers, the rate at which remaining social restrictions are lifted and once lifted, the presumption that social restrictions will not be materially reenacted in the event of a resurgence and other actions taken in response to the COVID-19 pandemic.

Use of Estimates

In preparing the Business' Combined Financial Statements, management is required to make estimates and assumptions. This includes estimates and assumptions regarding the nature, timing and extent of the impacts

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that the COVID 19 pandemic will have on its operations and cash flows The estimates and assumptions used by the Business affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates made by management include: provisions for product returns, rebates, chargebacks, discounts and allowances and distribution fees paid to certain wholesalers; useful lives of finite-lived intangible assets and property, plant and equipment; expected future cash flows used in evaluating intangible assets for impairment, reporting unit fair values for testing goodwill for impairment; acquisition-related contingent consideration liabilities; provisions for loss contingencies; provisions for income taxes, uncertain tax positions and realizability of deferred tax assets; the fair value of foreign currency exchange contracts; and the related allocations described in the Business' basis of presentation.

All allocations and estimates in these Combined Financial Statements are based on assumptions that management believes are reasonable. On an ongoing basis, management reviews its allocations and estimates to ensure that these allocations and estimates appropriately reflect changes in the Business and new information as it becomes available. However, the Combined Financial Statements included herein may not be indicative of the financial position, results of operations and cash flows of the Business in the future, or if the Business had been a separate, standalone entity during the years presented. If historical experience and other factors used by management to make these estimates do not reasonably reflect future activity, the Business' Combined Financial Statements could be materially impacted.

Changes in Reportable Segments

Commencing in the second quarter of 2021, the Business began operating in the following reportable segments: (i) Vision Care/Consumer Health Care, (ii) Ophthalmic Pharmaceuticals and (iii) Surgical. Prior to the second quarter of 2021, the Business operated in one reportable segment. Prior period presentations have been recast to conform to the current segment reporting structure. See Note 20, "SEGMENT INFORMATION" for additional information.

Fair Value of Financial Instruments

The estimated fair values of cash and cash equivalents, trade receivables, accounts payable and accrued liabilities approximate their carrying values due to their short maturity periods. The fair value of acquisition-related contingent consideration is based on estimated discounted future cash flows analyses and assessment of the probability of occurrence of potential future events.

Fair Value of Derivative Instruments

The Business uses foreign currency exchange contracts to economically hedge the foreign exchange exposure on certain of the Business intercompany balances. The Business' foreign currency exchange contracts are remeasured at each reporting date to reflect changes in their fair values determined using forward rates, which are observable market inputs, multiplied by the notional amount. These contracts have not been designated as an accounting hedge, and therefore the net change in their fair value is reported as a gain or loss in the Combined Statements of Operations as part of Foreign exchange and other. The Business does not have any derivative instruments that are designated and qualified as hedging instruments.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank accounts and highly liquid investments with maturities of three months or less when purchased, and that is legally owned by the Business.

Concentrations of Credit Risk

Financial instruments that potentially subject the Business to significant concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities and trade receivables.

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Cash deposited at banks may exceed the amount of insurance provided on such deposits Generally, these cash deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk. The Business seeks to mitigate such risks by spreading its risk across multiple counterparties and monitoring the risk profiles of these counterparties.

Outside of the U.S., concentrations of credit risk with respect to trade receivables, which are typically unsecured, are limited due to the number of customers using the Business' products, as well as their dispersion across many different geographic regions. The Business performs periodic credit evaluations of customers and does not require collateral. The Business monitors economic conditions, including volatility associated with international economies, and related impacts on the relevant financial markets and its business, especially in light of sovereign credit issues. The credit and economic conditions within Argentina, Brazil, Egypt, Greece, among other members of the European Union, Serbia, Turkey, Ukraine, Venezuela and Vietnam have been weak in recent years. These conditions have increased, and may continue to increase, the average length of time that it takes to collect on the Business' trade receivables outstanding in these countries.

As of December 31, 2020, the Business' three largest U.S. wholesaler customers accounted for approximately 13% of net trade receivables. In addition, as of December 31, 2020 and 2019, the Business' net trade receivable balance from Argentina, Brazil, Egypt, Greece, Serbia, Turkey, Ukraine, Venezuela and Vietnam amounted to $34 million and $39 million, respectively, the majority of which is current or less than 90 days past due. The portion of the net trade receivable from these countries that is past due more than 90 days amounted to $1 million, as of December 31, 2020.

Allowance for Credit Losses

An allowance is maintained for potential credit losses. The Business estimates the current expected credit loss on its receivables based on various factors, including historical credit loss experience, customer credit worthiness, value of collaterals (if any), and any relevant current and reasonably supportable future economic factors. Additionally, the Business generally estimates the expected credit loss on a pool basis when customers are deemed to have similar risk characteristics. Trade receivable balances are written off against the allowance when it is deemed probable that the trade receivable will not be collected. Trade receivables, net are stated net of certain sales provisions and the allowance for credit losses.

The activity in the allowance for credit losses for trade receivables for the years 2020, 2019 and 2018 is as follows:

(in millions)	2020	2019	2018
Balance, beginning of period	$ 20	$ 19	$ 20
Provision	—	8	3
Write-offs	(2)	(6)	(3)
Foreign exchange and other	(1)	(1)	(1)
Balance, end of period	$ 17	$ 20	$ 19

Inventories

Inventories comprise raw materials, work in process and finished goods, which are valued at the lower of cost or net realizable value, on a first-in, first-out basis. The cost value for work in process and finished goods inventories includes materials, direct labor and an allocation of overheads.

The Business evaluates the carrying value of inventories on a regular basis, taking into account such factors as historical and anticipated future sales compared with quantities on hand, the price the Business expects to obtain for products in their respective markets compared with historical cost and the remaining shelf life of goods on hand.

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Property, Plant and Equipment

Property, plant and equipment are reported at cost, less accumulated depreciation. Costs incurred on assets under construction are capitalized as construction in progress. Depreciation is calculated using the straight-line method, commencing when the assets become available for productive use, based on the following estimated useful lives:

Land improvements	15 - 30 years
Buildings and improvements	Up to 40 years
Machinery and equipment	Up to 20 years
Other equipment	3 - 10 years
Leasehold improvements	Lesser of term of lease or 10 years

Intangible Assets

A substantial portion of the Intangible assets related to the Business are specific to the 2013 acquisition of the Business by BHC and have been included based on BHC's historical cost. Intangible assets are reported at cost, less accumulated amortization and impairments. Intangible assets with finite lives are amortized over their estimated useful lives. Amortization is calculated primarily using the straight-line method based on the following estimated useful lives:

Product brands	1 - 15 years
Corporate brands	10 - 17 years
Product rights	8 - 15 years
Partner relationships	9 years
Out-licensed technology and other	9 years

Acquired In-Process Research and Development

The fair value of in-process research and development ("IPR&D") acquired through a business combination is capitalized as an indefinite-lived intangible asset until the completion or abandonment of the related research and development activities. When the related research and development is completed, the asset will be assigned a useful life and amortized.

The fair value of an acquired IPR&D intangible asset is typically determined using an income approach This approach starts with a forecast of the net cash flows expected to be generated by the asset over its estimated useful life. The net cash flows reflect the asset's stage of completion, the probability of technical success, the projected costs to complete, expected market competition and an assessment of the asset's life-cycle. The net cash flows are then adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the expected cash flow streams.

Impairment of Long-Lived Assets

Long-lived assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If indicators of impairment are present, the asset group is tested for recoverability by comparing the carrying value of the asset group to the related estimated undiscounted future cash flows expected to be derived from the asset group. If the expected undiscounted cash flows are less than the carrying value of the asset, then the asset is considered to be impaired and its carrying value is written down to fair value, based on the related estimated discounted future cash flows.

Indefinite-lived intangible assets, which includes acquired IPR&D and the corporate trademark acquired in 2013 as part of the acquisition of the Business (the "B&L Trademark"), are tested for impairment annually

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or more frequently if events or changes in circumstances between annual tests indicate that the asset may be impaired Impairment losses on indefinite-lived intangible assets are recognized based on a comparison of the fair value of the asset to its carrying value.

Goodwill

Goodwill is recorded with the acquisition of a business and is calculated as the difference between the acquisition date fair value of the consideration transferred and the values assigned to the assets acquired and liabilities assumed. A substantial portion of goodwill allocated to the Business is specific to the 2013 acquisition of the Business by BHC and has been allocated based on BHC's historical cost. Other goodwill amounts relate to other acquisitions by the Business. If a historical BHC acquisition contributed to both the Business and other BHC businesses, goodwill from the acquisition, based on BHC's historical cost, was allocated to the Business based on a relative fair value basis Goodwill is not amortized but is tested for impairment at least annually as of October 1st at the reporting unit level. Goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value. A reporting unit is the same as, or one level below, an operating segment. An entity is permitted to first assess qualitatively whether it is necessary to perform a quantitative impairment test for any of its reporting units. The quantitative impairment test is required only when the Business concludes that it is more likely than not that a reporting unit's fair value is less than its carrying amount. In evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Business considers the totality of all relevant events or circumstances that affect the fair value or carrying amount of a reporting unit.

An interim goodwill impairment test in advance of the annual impairment assessment may be required if events occur that indicate an impairment might be present. For example, changes in reportable segments, unexpected adverse business conditions, economic factors and unanticipated competitive activities may signal that an interim impairment test is needed.

As discussed under the caption "Adoption of New Accounting Standards" to this Note 2, effective January 1, 2018, the Business elected to early adopt guidance issued by the Financial Accounting Standards Board ("FASB") which simplified the subsequent measurement of goodwill by eliminating "Step 2" from the goodwill impairment test. Instead, as of January 1, 2018 and for all subsequent periods, goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value.

Foreign Currency Translation

The assets and liabilities of the Business' foreign operations having a functional currency other than the U.S. dollar are translated into U.S. dollars at the exchange rate prevailing at the balance sheet date, and at the average exchange rate for the reporting period for revenue and expense accounts. The cumulative foreign currency translation adjustment is recorded as a component of accumulated other comprehensive loss in shareholders' equity.

Foreign currency exchange gains and losses on transactions occurring in a currency other than an operation's functional currency are recognized as a component of Foreign exchange and other in the Combined Statements of Operations. Foreign currency translation recorded in these combined financial statements, is based on currency movements specific to the Business' combined financial statements during the periods presented.

Revenue Recognition

The Business' revenues are primarily generated from product sales in the therapeutic areas of eye health that consist of: (i) branded prescription eye-medications and pharmaceuticals, (ii) generic and branded generic prescription eye medications and pharmaceuticals, (iii) OTC vitamin and supplement products and (iv) medical devices (contact lenses, intraocular lenses and ophthalmic surgical equipment). Other revenues

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include alliance and service revenue from the licensing and co promotion of products and contract service revenue Contract service revenue is derived primarily from contract manufacturing for third parties and is not material. See Note 20, "SEGMENT INFORMATION" for the disaggregation of revenues which depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by the economic factors of each category of customer contracts.

The Business recognizes revenue when the customer obtains control of promised goods or services and in an amount that reflects the consideration to which the Business expects to be entitled to receive in exchange for those goods or services. To achieve this core principle, the Business applies the five-step revenue model to contracts within its scope: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

Product Sales

A contract with the Business' customers exists for each product sale. Where a contract with a customer contains more than one performance obligation, the Business allocates the transaction price to each distinct performance obligation based on its relative standalone selling price. The transaction price is adjusted for variable consideration which is discussed further below. The Business recognizes revenue for product sales at a point in time, when the customer obtains control of the products in accordance with contracted delivery terms, which is generally upon shipment or customer receipt. Contracted delivery terms will vary by customer and geography. In the United States control is generally transferred to the customer upon receipt.

Revenue from sales of surgical equipment and related software is generally recognized upon delivery and installation of the equipment. Intraocular lenses and delivery systems, disposable surgical packs and other surgical instruments are distinct from the surgical equipment and may be sold together with the surgical equipment in a single contract or on a standalone basis. Revenue from the sale of delivery systems, disposable surgical packs and other surgical instruments is recognized in accordance with the contracted delivery terms, generally upon shipment or customer receipt. Intraocular lenses are sold primarily on a consignment basis and revenue is recognized upon notification of use, which typically occurs when a replacement order is placed.

When a sale transaction in the Surgical segment contains multiple performance obligations, the transaction price is allocated to each performance obligation based on the relative standalone sales price and revenue is recognized upon satisfaction of each performance obligation.

Product Sales Provisions

As is customary in the eye health industry, gross product sales of certain product categories are subject to a variety of deductions in arriving at reported net product sales. The transaction price for such product categories is typically adjusted for variable consideration, which may be in the form of cash discounts, allowances, returns, rebates, chargebacks and distribution fees paid to customers. Provisions for variable consideration are established to reflect the Business' best estimates of the amount of consideration to which it is entitled based on the terms of the contract. The amount of variable consideration included in the transaction price may be constrained, and is included in the net sales price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in the future period.

Provisions for these deductions are recorded concurrently with the recognition of gross product sales revenue and include cash discounts and allowances, chargebacks, and distribution fees, which are paid to direct customers, as well as rebates and returns, which can be paid to direct and indirect customers. Returns provision balances and volume discounts to direct customers are included in Accrued and other current liabilities. All other provisions related to direct customers are included in Trade receivables, net, while provision balances related to indirect customers are included in Accrued and other current liabilities.

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The following table presents the activity and ending balances of the Business' variable consideration provisions for years 2020 and 2019

(in millions)	Discounts and Allowances	Returns	Rebates	Chargebacks	Distribution Fees	Total
Reserve balance, January 1, 2019	$ 126	$ 66	$ 157	$ 30	$ 26	$ 405
Current period provision	363	79	474	318	20	1,254
Payments and credits	(353)	(72)	(469)	(322)	(24)	(1,240)
Reserve balance, December 31, 2019	136	73	162	26	22	419
Current period provision	323	77	445	301	15	1,161
Payments and credits	(312)	(73)	(458)	(297)	(13)	(1,153)
Reserve balance, December 31, 2020	$ 147	$ 77	$ 149	$ 30	$ 24	$ 427

Included in Rebates in the table above are cooperative advertising credits due to customers of approximately $27 million and $24 million as of December 31, 2020 and 2019, respectively, which are reflected as a reduction of Trade accounts receivable, net in the Combined Balance Sheets.

The Business continually monitors its variable consideration provisions and evaluates the estimates used as additional information becomes available. Adjustments will be made to these provisions periodically to reflect new facts and circumstances that may indicate that historical experience may not be indicative of current and/or future results. The Business is required to make subjective judgments based primarily on its evaluation of current market conditions and trade inventory levels related to the Business products. These judgments include the potential impact of the COVID-19 pandemic on, among other things, unemployment and related changes in customer health insurance levels, customer behaviors during the COVID-19 pandemic and government stimulus bills that focus on ensuring availability and access to lifesaving drugs during a public health crisis This evaluation may result in an increase or decrease in the experience rate that is applied to current and future sales, or require an adjustment related to past sales, or both. If the trend in actual amounts of variable consideration varies from the Business' prior estimates, the Business adjusts these estimates, when such trend is believed to be sustainable. At that time, the Business would record the necessary adjustments which would affect net product revenue and earnings reported in the current period. The Business applies this method consistently for contracts with similar characteristics. The following describes the major sources of variable consideration in the Business' customer arrangements and the methodology, estimates and judgments applied to estimate each type of variable consideration.

Cash Discounts and Allowances

Cash discounts are offered for prompt payment and allowances for volume purchases Provisions for cash discounts and allowances are estimated at the time of sale and recorded as direct reductions to trade receivables and revenue. Management estimates the provisions for cash discounts and allowances based on contractual sales terms with customers, an analysis of unpaid invoices and historical payment experience. Estimated cash discounts and allowances have historically been predictable and less subjective, due to the limited number of assumptions involved, the consistency of historical experience and the fact that these amounts are generally settled within one month of incurring the liability.

Returns

Consistent with industry practice, customers are generally allowed to return certain products, primarily of our consumer and ophthalmic businesses, within a specified period of time before and after the product's expiration date The returns provision is estimated utilizing historical sales and return rates over the period

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during which customers have a right of return, taking into account available information on competitive products and contract changes The information utilized to estimate the returns provision includes: (i) historical return and exchange levels, (ii) external data with respect to inventory levels in the wholesale distribution channel, (iii) external data with respect to prescription demand for products, (iv) remaining shelf lives of products at the date of sale and (v) estimated returns liability to be processed by year of sale based on an analysis of lot information related to actual historical returns.

In determining the estimate for returns, management is required to make certain assumptions regarding the timing of the introduction of new products and the potential of these products to capture market share. In addition, certain assumptions with respect to the extent and pattern of decline associated with generic competition are necessary. These assumptions are formulated using market data for similar products, past experience and other available information. These assumptions are continually reassessed, and changes to the estimates and assumptions are made as new information becomes available.

Rebates and Chargebacks

Certain product sales, primarily proprietary and generic pharmaceutical products within the Ophthalmic Pharmaceuticals segment, made under governmental and managed-care pricing programs in the U.S. are subject to rebates. The Business participates in state government-managed Medicaid programs, as well as certain other qualifying federal and state government programs whereby rebates are provided to participating government entities. Medicaid rebates are generally billed 45 days to 270 days after the quarter in which the product is dispensed to the Medicaid participant. As a result, the Medicaid rebate reserve includes an estimate of outstanding claims for end-customer sales that occurred, but for which the related claim has not been billed and/or paid, and an estimate for future claims that will be made when inventory in the distribution channel is sold through to plan participants. The calculation of the Medicaid rebate reserve also requires other estimates, such as estimates of sales mix, to determine which sales are subject to rebates and the amount of such rebates. Quarterly, the Medicaid rebate reserve is adjusted based on actual claims paid. Due to the delay in billing, adjustments to actual claims paid may incorporate revisions of that reserve for several periods.

Managed Care rebates relate to contractual agreements to sell products to managed care organizations and pharmacy benefit managers at contractual rebate percentages in exchange for volume and/or market share.

Chargebacks relate to contractual agreements to sell certain products, primarily proprietary and generic pharmaceutical products within the Ophthalmic Pharmaceuticals segment to government agencies, group purchasing organizations and other indirect customers at contractual prices that are lower than the list prices the Business charges wholesalers. When these group purchasing organizations or other indirect customers purchase products through wholesalers at these reduced prices, the wholesaler charges the Business for the difference between the prices they paid the Business and the prices at which they sold the products to the indirect customers.

In estimating provisions for rebates and chargebacks, management considers relevant statutes with respect to governmental pricing programs and contractual sales terms with managed-care providers and group purchasing organizations. Management estimates the amount of product sales subject to these programs based on historical utilization levels. Changes in the level of utilization of products through private or public benefit plans and group purchasing organizations will affect the amount of rebates and chargebacks that the Business is obligated to pay. Management continually updates these factors based on new contractual or statutory requirements, and any significant changes in sales trends that may impact the percentage of products subject to rebates or chargebacks.

The amount of Managed Care, Medicaid and other rebates and chargebacks as it relates to proprietary and generic pharmaceutical products within the Ophthalmic Pharmaceuticals segment, has become more significant as a result of a combination of deeper discounts implemented in each of the last three years and increased Medicaid utilization due to expansion of government funding for these programs. Management's

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estimate for rebates and chargebacks may be impacted by a number of factors, but the principal factor relates to the level of inventory in the distribution channel.

Rebate provisions are based on factors such as timing and terms of plans under contract, time to process rebates, product pricing, sales volumes, amount of inventory in the distribution channel and prescription trends. Adjustments to actual for the years 2020 and 2019 were not material to the Business' revenues or earnings.

Patient Co-Pay Assistance programs, Consumer Rebates and Loyalty Programs are rebates offered on a limited number of the Business' products. Patient Co-Pay Assistance Programs are patient discount programs offered in the form of coupon cards or point of sale discounts, with which patients receive certain discounts off their prescription at participating pharmacies, as defined by the specific product program. An accrual for these programs is established, equal to management's estimate of the discount, rebate and loyalty incentives attributable to a sale That estimate is based on historical experience and other relevant factors. The accrual is adjusted throughout each quarter based on actual experience and changes in other factors, if any.

Distribution Fees

The Business sells products to certain wholesalers, and large pharmacy chains such as CVS and Walmart, usually under Distribution Services Agreements ("DSAs"). Under the DSAs, the wholesalers agree to provide services, and the Business pays the contracted DSA distribution service fees for these services based on product volumes. Additionally, price appreciation credits are generated when the Business increases a product's wholesaler acquisition cost ("WAC") under contracts with certain wholesalers Under such contracts, the Business is entitled to credits from such wholesalers for the impact of that WAC increase on inventory currently on hand at the wholesalers. Such credits are offset against the total distribution service fees paid to each such wholesaler. The variable consideration associated with price appreciation credits is reflected in the transaction price of products sold when it is determined to be probable that a significant reversal will not occur. Included as a reduction of current period provisions for Distribution Fees in the table above are price appreciation credits of $1 million and $1 million for the years 2020 and 2019, respectively.

Contract Assets and Contract Liabilities

There are no contract assets for any period presented. Contract liabilities consist of deferred revenue, the balance of which is not material to any period presented.

Sales Commissions

Sales commissions are generally attributed to periods shorter than one year and therefore are expensed when incurred. Sales commissions are included in selling, general and administrative expenses.

Financing Component

The Business has elected not to adjust consideration for the effects of a significant financing component when the period between the transfer of a promised good or service to the customer and when the customer pays for that good or service will be one year or less. The Business' global payment terms are generally between thirty to ninety days.

Leases

The Business leases certain facilities, vehicles and equipment principally under multi-year agreements generally having a lease term of one to twenty years, some of which include termination options and options to extend the lease term from one to five years or on a month-to-month basis. The Business includes options

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that are reasonably certain to be exercised as part of the lease term The Business may negotiate termination clauses in anticipation of changes in market conditions but generally, these termination options are not exercised. Certain lease agreements also include variable payments that are dependent on usage or may vary month-to-month such as insurance, taxes and maintenance costs. None of the Business' lease agreements contain material residual value guarantees or material restrictive covenants.

As discussed under the caption "Adoption of New Accounting Standards" to this Note 2, effective January 1, 2019, the Business adopted guidance issued by the FASB regarding accounting for leases. The Business is required to record a right-of-use asset and corresponding lease liability, equal to the present value of the lease payments at the commencement date of each lease. For all asset classes, in determining future lease payments, the Business has elected to aggregate lease components, such as payments for rent, taxes and insurance costs with non-lease components such as maintenance costs, and account for these payments as a single lease component. In limited circumstances, when the information necessary to determine the rate implicit in a lease is available, the present value of the lease payments is determined using the rate implicit in that lease. If the information necessary to determine the rate implicit in a lease is not available, the Business uses its incremental borrowing rate at the commencement of the lease, which represents the rate of interest that the Business would incur to borrow on a collateralized basis over a similar term.

All leases must be classified as either an operating lease or finance lease. The classification is determined based on whether substantive control has been transferred to the lessee. The classification governs the pattern of lease expense recognition. For leases classified as operating leases, total lease expense over the term of the lease is equal to the undiscounted payments due in accordance with the lease arrangement. Fixed lease expense is recognized periodically on a straight-line basis over the term of each lease and includes: (i) imputed interest during the period on the lease liability determined using the effective interest rate method plus (ii) amortization of the right-of-use asset for that period. Amortization of the right-of-use asset during the period is calculated as the difference between the straight-line expense and the imputed interest on the lease liability for that period. Variable lease expense is recognized when the achievement of the specific target is considered probable.

Research and Development Expenses

Costs related to internal research and development programs, including costs associated with the development of acquired IPR&D, are expensed as goods are delivered or services are performed. Under certain research and development arrangements with third parties, the Business may be required to make payments that are contingent on the achievement of specific developmental, regulatory and/or commercial milestones. Milestone payments made to third parties before a product receives regulatory approval, but after the milestone is determined to be probable, are expensed and included in Research and development expenses. Milestone payments made to third parties after regulatory approval is received are capitalized and amortized over the estimated useful life of the approved product.

Amounts due from third parties as reimbursement of development activities conducted under certain research and development arrangements are recognized as a reduction of Research and development expenses.

Legal Costs

Legal fees and other costs related to litigation and other legal proceedings or services are expensed as incurred and are included in Selling, general and administrative expenses. Certain legal costs associated with acquisitions are included in Acquisition-related costs and certain legal costs associated with divestitures, legal settlements and other business development activities are included in Litigation and other matters or Gain on investments, net within Other expense (income), net, as appropriate. Legal costs expensed are reported net of expected insurance recoveries. A claim for insurance recovery is recognized when realization becomes probable.

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Advertising Costs

Advertising costs comprise product samples, print media, promotional materials and television advertising and are expensed on the first use of the advertisement. Included in Selling, general and administrative expenses are advertising costs of $285 million, $346 million and $309 million, for 2020, 2019 and 2018, respectively.

Share-Based Compensation

The Business participates in BHC's long-term incentive program. The share-based awards granted under this long-term incentive program consist of time-based stock options, time-based restricted share units ("RSUs") and performance-based RSUs. BHC's performance-based RSUs are comprised of: (i) awards that vest upon achievement of certain share price appreciation conditions that are based on BHC total shareholder return ("TSR") and (ii) awards that vest upon attainment of certain performance targets that are based on BHC's return on tangible capital ("ROTC"). Stock-based compensation expense reflected in the accompanying Combined Financial Statements relates to stock plan awards of BHC awarded to Bausch + Lomb employees and not stock awards of Bausch + Lomb as Bausch + Lomb did not grant stock awards for any period presented. In addition to share-based compensation expense attributable to employees that are specific to the Bausch + Lomb business, share-based compensation expense also includes allocated charges from BHC, related to BHC employees providing corporate services to Bausch + Lomb. Accordingly, the amounts presented are not necessarily indicative of future awards and do not necessarily reflect the results that Bausch + Lomb would have experienced as an independent company for the periods presented.

The Business recognizes all share based payments to employees of the Business, including grants of employee stock options and RSUs, at estimated fair value. The Business amortizes the fair value of stock option or RSU grants on a straight-line basis over the requisite service period of the individual stock option or RSU grant, which generally equals the vesting period. Stock option and RSU forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Share-based compensation is recorded in Research and development expenses and Selling, general and administrative expenses, as appropriate.

Acquisition-Related Contingent Consideration

Acquisition-related contingent consideration, which primarily consists of potential milestone payments and royalty obligations, is recorded in the Combined Balance Sheets at its acquisition date estimated fair value, in accordance with the acquisition method of accounting. The fair value of the acquisition-related contingent consideration is remeasured each reporting period, with changes in fair value recorded in the Combined Statements of Operations. The fair value measurement of contingent consideration obligations arising from business combinations is determined via a probability-weighted discounted cash flow analysis, using unobservable (Level 3) inputs. These inputs may include: (i) the estimated amount and timing of projected cash flows, (ii) the probability of the achievement of the factor(s) on which the contingency is based and (iii) the risk-adjusted discount rate used to present value the probability-weighted cash flows. Significant increases or decreases in any of those inputs in isolation could result in a significantly higher or lower fair value measurement.

Income Taxes

Income tax expense and deferred tax balances in the Combined Financial Statements have been calculated on a separate tax return basis. The Business' operations are included in the tax returns of certain respective BHC entities of which the Business is a part. In the future, as a standalone entity, the Business will file tax returns on its own behalf, and its deferred taxes and effective income tax rate may differ from those in the historical periods.

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Income taxes are accounted for under the liability method Deferred tax assets and liabilities are recognized for the temporary differences between the financial statement and income tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. A valuation allowance is provided for the portion of deferred tax assets that is more likely than not to remain unrealized. Deferred tax assets and liabilities are measured using enacted tax rates and laws. Deferred tax assets for outside basis differences in investments in subsidiaries are only recognized if the difference will be realized in the foreseeable future.

The tax benefit from an uncertain tax position is recognized only if it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority, based on the technical merits of the position. The tax benefits recognized from such position are measured based on the amount for which there is a greater than 50% likelihood of being realized upon settlement. Liabilities associated with uncertain tax positions are classified as long-term unless expected to be paid within one year. Interest and penalties related to uncertain tax positions, if any, are recorded in the provision for income taxes and classified with the related liability on the Combined balance sheets. Income taxes payable are accounted for within BHC investment on the Combined Balance Sheets.

Comprehensive Income

Comprehensive income comprises Net (loss) income and Other comprehensive income (loss). Other comprehensive income (loss) includes items such as foreign currency translation adjustments and certain pension and other postretirement benefit plan adjustments. Accumulated other comprehensive loss is recorded as a component of equity.

Contingencies

In the normal course of business, the Business is subject to loss contingencies, such as claims and assessments arising from litigation and other legal proceedings, contractual indemnities, product and environmental liabilities, and tax matters. The Combined Financial Statements include litigation and other legal proceeding contingencies to the extent the matter is directly attributable to the Business. Accruals for loss contingencies are recorded when the Business determines that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. If the estimate of the amount of the loss is a range and some amount within the range appears to be a better estimate than any other amount within the range, that amount is accrued as a liability. If no amount within the range is a better estimate than any other amount, the minimum amount of the range is accrued as a liability. These accruals are adjusted periodically as assessments change or additional information becomes available.

If no accrual is made for a loss contingency because the amount of loss cannot be reasonably estimated, the Business will disclose contingent liabilities when there is at least a reasonable possibility that a loss or an additional loss may have been incurred.

Employee Benefit Plans

The Business sponsors various retirement and pension plans, including defined benefit pension plans, defined contribution plans and a participatory defined benefit postretirement plan. The determination of defined benefit pension and postretirement plan obligations and their associated expenses requires the use of actuarial valuations to estimate the benefits employees earn while working, as well as the present value of those benefits. Net actuarial gains and losses that exceed 10% of the greater of the plan's projected benefit obligations or the market-related value of assets are amortized to earnings over the shorter of the estimated average future service period of the plan participants (or the estimated average future lifetime of the plan participants if the majority of plan participants are inactive) or the period until any anticipated final plan settlements.

In addition, BHC offers certain of its defined benefit plans, a participatory defined benefit postretirement medical and life insurance plans and defined contribution plan to be shared amongst its businesses,

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including the Business, and the participation of its employees and retirees in these plans is reflected as though the Business participated in a multiemployer plan with BHC. A proportionate share of the cost associated with the multiemployer plan is reflected in the Combined Financial Statements, while any assets and liabilities associated with the multiemployer plan are retained by BHC and recorded on BHC's balance sheet.

BHC Investment

BHC's cumulative interest in the assets and liabilities of the Business, inclusive of operating results, is presented as BHC investment on the Combined Balance Sheets. The Combined Statements of Equity include net cash transfers and other transfers between BHC and the Business as well as related party receivables and payables between the Business and other BHC affiliates that were settled on a current basis. BHC performs cash management and other treasury related functions on a centralized basis for certain of its legal entities and, therefore, substantially all of the net cash generated by the Business is transferred to BHC through the intercompany accounts. Receivables due from, and payables due to BHC and its affiliates were not material for all periods presented.

Adoption of New Accounting Standards

In May 2014, the FASB issued guidance on recognizing revenue from contracts with customers. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the revenue model to contracts within its scope, an entity will: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. In addition to these provisions, the new standard provides implementation guidance on several other topics, including the accounting for certain revenue-related costs, as well as enhanced disclosure requirements. The new guidance requires entities to disclose both quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In March 2016, the FASB issued an amendment to clarify the implementation guidance around considerations whether an entity is a principal or an agent, impacting whether an entity reports revenue on a gross or net basis. In April 2016, the FASB issued an amendment to clarify guidance on identifying performance obligations and the implementation guidance on licensing.

The Business adopted this guidance effective January 1, 2018 using the modified retrospective approach. Based upon review of customer contracts, the Business concluded the implementation of the new guidance did not have a material quantitative impact on its Combined Financial Statements as the timing of revenue recognition for product sales did not significantly change. The new guidance did however result in additional disclosures as to the nature, amounts, and concentrations of revenue. See "Revenue Recognition" discussed in this Note 2 and Note 20, "SEGMENT INFORMATION" for additional details and the application of this guidance.

In October 2016, the FASB issued guidance requiring an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs, rather than when the asset has been sold to an outside party. This guidance was effective for the Business January 1, 2018 and was applied using a modified retrospective approach through a cumulative-effect adjustment to BHC investment and deferred income taxes as of the effective date. The Business recorded a net cumulative-effect adjustment of $462 million to increase deferred income tax assets and decrease the opening balance of BHC investment for the income tax consequences deferred from past intra-entity transfers involving assets other than inventory.

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In January 2017, the FASB issued guidance which simplifies the subsequent measurement of goodwill by eliminating "Step 2" from the goodwill impairment test. Instead, goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value. The FASB also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment. The guidance is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods, with early adoption permitted. The Business elected to early adopt this guidance effective January 1, 2018. The Business tested goodwill for impairment upon adopting this guidance and no impairment charges were recognized. See Note 8, "INTANGIBLE ASSETS AND GOODWILL" for the application of this guidance.

In February 2016, the FASB issued a new standard revising the accounting for leases to increase transparency and comparability among organizations that lease buildings, equipment and other assets by requiring the recognition of lease assets and lease liabilities on the balance sheet. Under the new standard, all leases are classified as either a finance lease or an operating lease. The classification is determined based on whether substantive control has been transferred to the lessee and its determination will govern the pattern of lease cost recognition. Finance leases are accounted for in substantially the same manner as capital leases under the former U.S. GAAP standard. Operating leases are accounted for in the statements of operations and statements of cash flows in a manner substantially consistent with operating leases under the former U.S. GAAP standard. However, as it relates to the balance sheet, operating lessees are, with limited exception, required to record a right-of-use asset and a corresponding lease liability, equal to the present value of the lease payments for each operating lease. Lessees are not required to recognize a right-of-use asset or lease liability for short-term leases, but instead recognizes lease payments as an expense on a straight-line basis over the lease term. The standard also requires lessees and lessors to provide additional qualitative and quantitative disclosures to help financial statement users assess the amounts, timing and uncertainty of cash flows arising from leases.

The Business adopted the new standard effective January 1, 2019, using the modified retrospective approach. Upon adoption, the Business elected the available practical expedients, including: (i) the package of practical expedients as defined in the accounting guidance, which among other things, allowed the carry forward of historical lease classifications, (ii) the election to use hindsight in determining the lease terms for all leases, (iii) the transition method, which does not require the restatement of prior periods, (iv) the election to aggregate lease components with non-lease components and account for these payments as a single lease component and (v) the short-term lease exemption, which does not require recognition on the balance sheet for leases with an initial term of 12 months or less. The Business has updated its systems, processes and controls to track, record and account for its lease portfolio, including implementation of a third-party software tool to assist in complying with the new standard. Upon adoption of the new standard, the Business recognized a right-of-use asset and a corresponding lease liability of $96 million. The adoption of the standard did not have a material impact on the Combined Statements of Operations, Comprehensive Loss, Equity and Cash Flows for any of the periods presented. See Note 11, "LEASES" for additional details and application of this standard.

In August 2018, the FASB issued guidance aligning the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance is effective for annual periods beginning after December 15, 2019, and interim periods within those fiscal years with early adoption permitted. The Business has early-adopted this guidance prospectively for all implementation costs incurred after January 1, 2019. Implementation costs incurred in the Business' hosting arrangements which were capitalized were not material.

In June 2016, the FASB issued guidance on the impairment of financial instruments requiring an impairment model based on expected losses rather than incurred losses. Under this guidance, an entity recognizes as an allowance its estimate of expected credit losses. The guidance was effective for the Business beginning January 1, 2020 and did not have a material effect on the Business' Combined Financial Statements.

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In August 2018, the FASB issued guidance modifying the disclosure requirements for fair value measurement The guidance was effective for the Business beginning January 1, 2020. The application of this guidance did not have a material effect on the Business' disclosures.

In March 2020, the FASB issued guidance providing optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions that reference LIBOR or a reference rate that is expected to be discontinued as a result of reference rate reform. Optional expedients are provided for contract modification accounting within the areas of receivables, debt, leases, derivatives and hedging. The optional amendments are effective for all entities as of March 12, 2020, through December 31, 2022. During 2020, the Business has not entered into any contract modifications in which the optional expedients were applied. However, if prior to December 31, 2022 the Business enters into a contract modification in which the optional expedients are applied, the Business will evaluate the impact of adoption of this guidance on its financial position, results of operations and cash flows.

In August 2018, the FASB issued guidance modifying the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The guidance was effective for annual periods ending after December 15, 2020. The application of this guidance did not have a material effect on the Business' disclosures.

Recently Issued Accounting Standards, Not Adopted as of December 31, 2020

In December 2019, the FASB issued guidance that simplifies the accounting for income taxes by eliminating certain exceptions to the guidance related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance is effective for annual periods beginning after December 15, 2020. The application of this guidance is not expected to have a material effect on the Business' financial position, results of operations and cash flows.

3. RELATED PARTIES

Historically, the Business has been managed and operated in the ordinary course of business with other affiliates of BHC. Accordingly, certain corporate and shared costs have been allocated to the Business and reflected as expenses in the Combined Financial Statements. There have been no sales made to related parties for all periods presented

Allocated Centralized Costs

The Combined Financial Statements have been prepared on a standalone basis and are derived from the consolidated financial statements and accounting records of BHC. BHC incurs significant corporate costs for services provided to the Business as well as to other BHC businesses. The allocated corporate and shared costs to the Business for the years 2020, 2019 and 2018 were $354 million, $363 million and $333 million, respectively, and are included in Cost of goods sold (excluding amortization and impairments of intangible assets), Selling, general and administrative and Research and development in the Combined Statements of Operations. All such amounts have been deemed to have been incurred and settled by the Business in the period in which the costs were recorded and are included in the BHC investment See Note 2, "SIGNIFICANT ACCOUNTING POLICIES" for additional information on the allocation of functional service expenses and general corporate expenses.

In the opinion of management of BHC and the Business, the expense and cost allocations have been determined on a basis considered to be a reasonable reflection of the utilization of services provided or the benefit received by the Business during 2020, 2019 and 2018. The amounts that would have been, or will be

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incurred, on a standalone basis could differ from the amounts allocated due to economies of scale, difference in management judgment, a requirement for more or fewer employees or other factors. In addition, the future results of operations, financial position and cash flows could differ materially from the historical results presented herein.

Accounts Receivable and Payable

Certain related party transactions between the Business and BHC have been included within BHC investment in the periods presented when the related party transactions are not settled in cash.

Certain transactions between the Business and BHC and affiliate businesses are cash-settled on a current basis and, therefore, are reflected in the Combined Balance Sheets. Accounts payable to BHC and its affiliates, and accounts receivables due from BHC and its affiliates were not material for any period presented.

Net Transfers to BHC

The total effect of the settlement of related party transactions is reflected as a financing activity in the Combined Statements of Cash Flows. The components of the Net transfers to BHC for the years 2020, 2019 and 2018 are as follows:

(in millions)	2020	2019	2018
Cash pooling and general financing activities	$(428)	$(194)	$(735)
Corporate allocations	354	363	333
Benefit from income taxes	(106)	(706)	(193)
Total net transfers to BHC	**(180)**	**(537)**	**(595)**
Share-based compensation	(50)	(50)	(43)
Other, net	5	(6)	(15)
Net transfers to BHC per Combined Statements of Cash Flows	**$(225)**	**$(593)**	**$(653)**

4. LICENSING AGREEMENTS AND ASSETS HELD FOR SALE

Licensing Agreements

In the normal course of business, the Business may enter into select licensing and collaborative agreements for the commercialization and/or development of unique products. These products are sometimes investigational treatments in early stage development that target unique conditions. The ultimate outcome, including whether the product will be: (i) fully developed, (ii) approved by regulatory agencies, (iii) covered by third-party payors or (iv) profitable for distribution, is highly uncertain. The commitment periods under these agreements vary and include customary termination provisions. Expenses arising from commitments, if any, to fund the development and testing of these products and their promotion are recognized as incurred. Royalties due are recognized when earned and milestone payments are accrued when each milestone has been achieved and payment is probable and can be reasonably estimated.

EyeGate Pharmaceuticals, Inc. ("EyeGate") Licensing Agreement

On February 21, 2017, EyeGate granted a subsidiary of the Business the exclusive worldwide licensing rights to manufacture and sell the EyeGate® II Delivery System and EGP-437 combination product candidate for the treatment of post-operative pain and inflammation in ocular surgery patients. Under the terms of the licensing agreement, EyeGate was responsible for the continued development of this product candidate in the U.S. for the treatment of post-operative pain and inflammation in ocular surgery patients, and all associated costs, and the Business had the right to further develop the product in the field outside of

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the U S at its cost In connection with the licensing agreement, the Business paid an initial license fee of $4 million during the three months ended March 31, 2017 and was obligated to make future payments of: (i) up to $34 million upon the achievement of certain development and regulatory milestones, of which $3 million was paid, (ii) up to $65 million upon the achievement of certain sales-based milestones and (iii) royalties. Based on early stage of development of the asset, and lack of acquired significant inputs, the Business concluded this was an asset acquisition.

On December 14, 2018, the Business issued a notice voluntarily terminating this licensing agreement dated February 21, 2017 and another license agreement dated July 9, 2015 with EyeGate, such termination was effective March 14, 2019. Following the termination of these agreements on March 14, 2019, the Business relinquished all rights to the EyeGate® II Delivery System and EGP-437 combination product. During 2018, the Business fully impaired the EyeGate® II Delivery System and EGP-437 combination product intangible assets and reduced the carrying value of the contingent consideration liabilities associated with these licensing agreements to zero. All payments due to EyeGate for reimbursement of certain out-of-pocket costs incurred in connection with development work have been provided for in the Business' Combined Financial Statements.

Option to Purchase All Ophthalmology Assets of Allegro Ophthalmics LLC ("Allegro")

On September 21, 2020, the Business announced that it had entered into an agreement to acquire an option to purchase all of the ophthalmology assets of Allegro (the "Option"), a privately held biopharmaceutical company focused on the development of therapies that regulate integrin functions for the treatment of ocular diseases. Among the assets to be acquired if the Option was exercised, is the worldwide rights to risuteganib (Luminate®), Allegro's lead investigational compound in retina, which is believed to simultaneously act on the angiogenic, inflammatory and mitochondrial metabolic pathways implicated in diseases such as intermediate dry AMD. A U.S. Phase 2a study with risuteganib in intermediate dry AMD met its primary endpoint of vision recovery and Phase 3 testing is in the planning stages. The aggregate payments to acquire the Option are $50 million and include an upfront payment of $10 million and a second payment of $40 million should Allegro raise additional funding. During 2020, the Business made and expensed the upfront payment of $10 million as acquired IPR&D included in Other expense, net. The Option has expired and no further payments will be due.

Assets Held for Sale

During 2019, the Business has identified certain products for disposal as of December 31, 2019. The products and the related assets and liabilities of this disposal group qualify as a business. Revenues associated with this business were $8 million and $11 million for the years 2019 and 2018, respectively. The carrying value of the business, including inventories, intangible assets, goodwill and deferred income taxes, was adjusted to its estimated fair value less costs to sell and reclassified as held for sale as of December 31, 2019. Included in Asset impairments in 2019 is a charge of $4 million associated with these assets held for sale. As a result of changing business dynamics, during 2020, the Business decided not to sell these assets and reclassified $21 million of held for sale assets as assets held and used at their respective fair values at the date of the decision not to sell. This reclassification did not impact the Combined Statement of Operations for 2020.

5. FAIR VALUE MEASUREMENTS

Fair value measurements are estimated based on valuation techniques and inputs categorized as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities;
- Level 2—Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

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- Level 3 Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using discounted cash flow methodologies, pricing models, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following fair value hierarchy table presents the components and classification of the Business' financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019:

	2020				2019			
(in millions)	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Assets:								
Cash equivalents	$ 9	$ 1	$ 8	$ —	$ 9	$ 1	$ 8	$ —
Marketable securities	$ —	$ —	$ —	$ —	$ 3	$ —	$ 3	$ —
Liabilities:								
Acquisition-related contingent consideration	$ 9	$ —	$ —	$ 9	$ 9	$ —	$ —	$ 9

There were no transfers between Level 1, Level 2 or Level 3 during 2020 and 2019.

Foreign Currency Exchange Contracts

During 2020, BHC, on behalf of the Business, entered into foreign currency exchange contracts, with an aggregate notional amount of $38 million outstanding as of December 31, 2020. Prior to 2020, the Business had no foreign currency exchange contracts for any period presented.

The fair value of the Business' foreign currency exchange contracts as of December 31, 2020 was not material. Amounts included in Accrued and other current liabilities and in Prepaid expenses and other current assets, within the Combined Balance Sheets, were not material. During 2020, the net change in fair value was a gain of $3 million. Settlements of the Business' foreign currency exchange contracts are reported as a gain or loss in the Combined Statements of Operations as part of Foreign exchange and other and reported as operating activities in the Combined Statements of Cash Flows During 2020, the Business reported a realized gain of $3 million related to settlements of the Business' foreign currency exchange contracts.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The following table presents the components and classification of the Business' financial assets and liabilities measured at fair value on a non-recurring basis:

	December 31, 2020				December 31, 2019			
(in millions)	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Other non-current assets:								
Non-current assets held for sale	$ —	$ —	$ —	$ —	$ 21	$ —	$ —	$ 21

Non-current assets held for sale of $21 million included in the Combined Balance Sheets as of December 31, 2019 were remeasured to estimated fair values less costs to sell. Included in Asset

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impairments in 2019 is a charge of $4 million associated with these assets held for sale The estimated fair values of these assets less costs to sell were determined using a discounted cash flow analysis which utilized Level 3 unobservable inputs. See Note 4, "LICENSING AGREEMENTS AND ASSETS HELD FOR SALE" for additional details regarding these assets held for sale.

6. INVENTORIES

Inventories, net as of December 31, 2020 and 2019 consist of:

(in millions)	2020	2019
Raw materials	$145	$156
Work in process	33	36
Finished goods	438	400
	$616	$592

Inventory write-offs were $30 million, $20 million, and $25 million for 2020, 2019 and 2018, respectively.

7. PROPERTY, PLANT AND EQUIPMENT

The major components of property, plant and equipment as of December 31, 2020 and 2019 consist of:

(in millions)	2020	2019
Land	$ 48	$ 45
Buildings	488	467
Machinery and equipment	1,291	1,194
Other equipment and leasehold improvements	204	207
Construction in progress	396	212
	2,427	2,125
Less accumulated depreciation	(1,263)	(1,128)
	$ 1,164	$ 997

Depreciation expense was $119 million, $121 million and $118 million for 2020, 2019 and 2018, respectively.

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8 INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

The major components of intangible assets as of December 31, 2020 and 2019 consist of:

		2020			2019		
(in millions)	Weighted-Average Remaining Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization and Impairments	Net Carrying Amount	Gross Amount	Accumulated Amortization and Impairments	Net Carrying Amount
Finite-lived intangible assets:							
Product brands	4	$ 2,687	$ (1,999)	$ 688	$2,592	$ (1,690)	$ 902
Corporate brands	7	12	(4)	8	13	(5)	8
Product rights/patents	3	985	(832)	153	979	(754)	225
Technology and other	3	66	(58)	8	66	(51)	15
Total finite-lived intangible assets		3,750	(2,893)	857	3,650	(2,500)	1,150
Acquired IPR&D not in service	NA	7	—	7	7	—	7
B&L Trademark	NA	1,698	—	1,698	1,698	—	1,698
		$ 5,455	$ (2,893)	$ 2,562	$5,355	$ (2,500)	$ 2,855

Long-lived assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment charges associated with these assets are included in Other expense, net in the Combined Statement of Operations. The Business continues to monitor the recoverability of its finite-lived intangible assets and tests the intangible assets for impairment if indicators of impairment are present.

Asset impairments for 2020 of $1 million included impairments associated with the discontinuance of certain product lines.

Assets impairments for 2019 of $16 million included impairments of: (i) $12 million due to decreases in forecasted sales of certain product lines and (ii) $4 million related to assets being classified as held for sale.

Asset impairments for 2018 of $52 million included impairments of: (i) $28 million related to Acquired IPR&D not in service related to the EyeGate® II Delivery System and EGP-437 combination product intangible assets, as more fully discussed in Note 4, "LICENSING AGREEMENTS AND ASSETS HELD FOR SALE," (ii) $19 million associated with the discontinuance of certain product lines and (iii) $5 million due to decreases in forecasted sales of certain product lines.

The impairments to assets reclassified as held for sale were measured as the difference of the carrying value of these assets as compared to the estimated fair values of these assets less costs to sell determined using a discounted cash flow analysis which utilized Level 3 unobservable inputs. The other impairments and adjustments to finite-lived intangible assets were measured as the difference of the historical carrying value of these finite-lived assets as compared to the estimated fair value as determined using a discounted cash flow analysis using Level 3 unobservable inputs.

Periodically, the Business' products face the expiration of their patent or regulatory exclusivity. The Business anticipates that product sales for such product would decrease shortly following a loss of exclusivity, due to the possible entry of a generic competitor. Where the Business has the rights, it may elect to launch an authorized generic of such product (either as the Business' own branded generic or through a third-party). This may occur prior to, upon or following generic entry, which may mitigate the anticipated decrease in product sales; however, even with launch of an authorized generic, the decline in product sales of such product could still be significant, and the effect on future revenues could be material. Management continually assesses the useful lives related to the Business' long-lived assets to reflect the most current assumptions.

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Estimated amortization expense of finite lived intangible assets for the five years ending December 31 and thereafter are as follows

(in millions)	2021	2022	2023	2024	2025	Thereafter	Total
Amortization	$291	$249	$181	$ 87	$ 38	$ 11	$857

Goodwill

Prior to 2021, the Business had one operating and reportable segment. The changes in the carrying amounts of goodwill during the years 2020, 2019 and 2018 were as follows:

(in millions)	
Balance, January 1, 2018	$4,666
Foreign exchange and other	(87)
Balance, December 31, 2018	4,579
Goodwill reclassified to assets held for sale (Note 4)	(10)
Foreign exchange and other	(15)
Balance, December 31, 2019	4,554
Assets held for sale reclassified to goodwill (Note 4)	10
Foreign exchange and other	121
Balance, December 31, 2020	$4,685

Goodwill is not amortized but is tested for impairment at least annually on October 1st at the reporting unit level. A reporting unit is the same as, or one level below, an operating segment. The Business performs its annual impairment test by first assessing qualitative factors. Where the qualitative assessment suggests that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative fair value test is performed for that reporting unit (Step 1).

The fair value of a reporting unit refers to the price that would be received to sell the unit as a whole in an orderly transaction between market participants. The Business estimates the fair values of a reporting unit using a discounted cash flow model which utilizes Level 3 unobservable inputs. The discounted cash flow model relies on assumptions regarding revenue growth rates, gross profit, projected working capital needs, selling, general and administrative expenses, research and development expenses, capital expenditures, income tax rates, discount rates and terminal growth rates. To estimate fair value, the Business discounts the forecasted cash flows of each reporting unit. The discount rate the Business uses represents the estimated weighted average cost of capital, which reflects the overall level of inherent risk involved in its reporting unit operations and the rate of return a market participant would expect to earn. The quantitative fair value test is performed utilizing long-term growth rates and discount rates applied to the estimated cash flows in estimation of fair value. To estimate cash flows beyond the final year of its model, the Business estimates a terminal value by applying an in perpetuity growth assumption and discount factor to determine the reporting unit's terminal value.

To forecast a reporting unit's cash flows the Business takes into consideration economic conditions and trends, estimated future operating results, management's and a market participant's view of growth rates and product lives, and anticipates future economic conditions. Revenue growth rates inherent in these forecasts are based on input from internal and external market research that compare factors such as growth in global economies, recent industry trends and product life-cycles. Macroeconomic factors such as changes in economies, changes in the competitive landscape including the unexpected loss of exclusivity to the Business' product portfolio, changes in government legislation, product life-cycles, industry consolidations and other changes beyond the Business' control could have a positive or negative impact on achieving its targets. Accordingly, if market conditions deteriorate, or if the Business is unable to execute its strategies, it may be necessary to record impairment charges in the future.

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January 1 2018 Goodwill Impairment Test

The Business conducted quantitative fair value testing of goodwill for impairment as of January 1, 2018, the earliest available reporting date, utilizing a long-term growth rate of 3% and discount rates of 7.5% and 11.0%, in estimation of the fair value of its reporting units. Based on the quantitative fair value tests, the fair value of each reporting unit exceeded its carrying value by more than 35% and as a result there was no impairment to goodwill.

Annual Goodwill Impairment Tests

The Business conducted its annual goodwill impairment tests as of October 1, 2020, 2019 and 2018 by first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In management's assessment, no qualitative factors were identified which suggested that it was more likely than not that the carrying amount of a reporting unit exceeded its fair value, and therefore there was no impairment to the goodwill of any reporting unit for the years 2020, 2019 and 2018.

As more fully discussed in Note 2, "SIGNIFICANT ACCOUNTING POLICIES"—***Impacts of COVID-19 Pandemic***, the Business has assessed the potential impact that the COVID-19 pandemic is likely to have on its forecasted cash flows. In performing its assessment, the Business considered the possible effects and outcomes of the COVID-19 pandemic on, among other things, its supply chain, customers and distributors, employee base, product sustainability, research and development activities, product pipeline and consumer demand and related rebates and discounts and has made adjustments, although not considered to be material, to its long-term forecasts as of October 1, 2020 (the date goodwill was last tested for impairment) for these and other matters. After completing this assessment, although not completely insulated from the negative effects of the COVID-19 pandemic, the Business believes that its long-term forecasted cash flows, as adjusted for the possible outcome of the COVID-19 pandemic and other matters, do not indicate that the fair value of any reporting unit may be below its carrying value.

The Business' latest forecasts of cash flows gives consideration to the nature and timing of the expected revenue losses disclosed above. The changes in the amounts and timing of these revenues as presented in the latest forecasts include a range of potential outcomes and, are not substantial enough to materially adversely affect the recoverability of any of the associated reporting units' assets and are not material enough to indicate that the fair values of those reporting units might be below their respective carrying values.

If market conditions deteriorate, or if the Business is unable to execute its strategies, it may be necessary to record impairment charges in the future.

During the second quarter of 2021, the Business realigned and began managing its operations differently, and as a result the Business will reallocate its goodwill to align with the new operating segments during the second quarter of 2021. See Note 20, "SEGMENT INFORMATION" for additional information.

There were no goodwill impairment charges through December 31, 2020.

9. ACCRUED AND OTHER CURRENT LIABILITIES

Accrued and other current liabilities as of December 31, 2020 and 2019 consist of:

(in millions)	2020	2019
Employee compensation and benefit costs	$168	$146
Product rebates	122	138
Discounts and allowances	86	77
Product returns	77	73
Income taxes payable	1	38
Other	277	301
	$731	$773

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10 PENSION AND POSTRETIREMENT EMPLOYEE BENEFIT PLANS

Single Employer Plans

The Business has defined benefit plans and a participatory defined benefit postretirement medical and life insurance plan, which covers a closed grandfathered group of legacy U.S. employees and employees in certain other countries. The U.S. defined benefit accruals were frozen as of December 31, 2004 and benefits that were earned up to December 31, 2004 were preserved. Participants continue to earn interest credits on their cash balance at an interest crediting rate that is equal to the greater of: i) the average annual yield on 10-year Treasury bonds in effect for the November preceding the plan year or ii) 4.50%. The most significant non-U.S. plans are two defined benefit plans in Ireland. In 2011, both Ireland defined benefit plans were closed to future service benefit accruals; however, additional accruals related to annual salary increases continued. In December 2014, one of the Ireland defined benefit plans was amended effective August 2014 to eliminate future benefit accruals related to salary increases. All of the pension benefits accrued through the plan amendment date were preserved. As a result of the plan amendment, there are no active plan participants accruing benefits under the amended Ireland defined benefit plan. The U.S. postretirement benefit plan was amended effective January 1, 2005 to eliminate employer contributions after age 65 for participants who did not meet the minimum requirements of age and service on that date. The employer contributions for medical and prescription drug benefits for participants retiring after March 1, 1989 were frozen effective January 1, 2010. Effective January 1, 2014, the Business no longer offers medical and life insurance coverage to new retirees.

In addition to the legacy benefit plans, outside of the U.S., a limited group of the Business' employees are covered by defined benefit pension plans.

The Business uses December 31 as the year end measurement date for all of its defined benefit pension plans and the postretirement benefit plan

Accounting for Pension Benefit Plans and Postretirement Benefit Plan

The Business recognizes in its Combined Balance Sheets an asset or liability equal to the over- or under-funded benefit obligation of each defined benefit pension plan and postretirement benefit plan. Actuarial gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost are recognized, net of tax, as a component of other comprehensive income (loss).

The amounts included in Accumulated other comprehensive loss as of December 31, 2020, and 2019 were as follows:

	Pension Benefit Plans				U.S. Postretirement Benefit Plan	
	U.S. Plan		Non-U.S. Plans			
(in millions)	2020	2019	2020	2019	2020	2019
Unrecognized actuarial losses	$ (21)	$ (20)	$ (76)	$ (64)	$ (3)	$ (2)
Unrecognized prior service credits	$—	$—	$ 27	$ 26	$ 11	$ 14

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Net Periodic (Benefit) Cost

The following table provides the components of net periodic (benefit) cost for the Business' defined benefit pension plans and postretirement benefit plan in 2020, 2019 and 2018:

	Pension Benefit Plans						U.S. Postretirement Benefit Plan		
	U.S. Plan			Non-U.S. Plans					
(in millions)	2020	2019	2018	2020	2019	2018	2020	2019	2018
Service cost	$ 1	$ 2	$ 2	$ 2	$ 2	$ 2	$—	$—	$—
Interest cost	6	8	7	3	4	5	1	1	1
Expected return on plan assets	(13)	(13)	(15)	(5)	(5)	(5)	—	—	—
Amortization of net loss	—	—	—	1	1	1	—	—	—
Amortization of prior service credit	—	—	—	(1)	(1)	(1)	(3)	(2)	(2)
Net periodic (benefit) cost	$ (6)	$ (3)	$ (6)	$—	$ 1	$ 2	$ (2)	$ (1)	$ (1)

Benefit Obligation, Change in Plan Assets and Funded Status

The table below presents components of the change in projected benefit obligation, change in plan assets and funded status for 2020 and 2019:

	Pension Benefit Plans				U S Postretirement Benefit Plan	
	U.S. Plan		Non-U.S. Plans			
(in millions)	2020	2019	2020	2019	2020	2019
Change in Projected Benefit Obligation						
Projected benefit obligation, beginning of year	$227	$214	$ 246	$ 225	$ 41	$ 41
Service cost	1	2	2	2	—	—
Interest cost	6	8	3	4	1	1
Employee contributions	—	—	—	—	—	1
Settlements	—	—	(2)	—	—	—
Benefits paid	(15)	(15)	(4)	(8)	(4)	(4)
Actuarial losses	17	18	13	28	1	2
Currency translation adjustments	—	—	22	(5)	—	—
Projected benefit obligation, end of year	236	227	280	246	39	41
Change in Plan Assets						
Fair value of plan assets, beginning of year	216	187	157	143	—	—
Actual return on plan assets	29	42	11	17	—	—
Employee contributions	—	—	—	—	—	1
Company contributions	1	2	8	8	4	3
Settlements	—	—	(2)	—	—	—
Benefits paid	(15)	(15)	(4)	(8)	(4)	(4)
Currency translation adjustments	—	—	15	(3)	—	—
Fair value of plan assets, end of year	231	216	185	157	—	—
Funded Status at end of year	$ (5)	$ (11)	$ (95)	$ (89)	$ (39)	$ (41)
Recognized as:						
Accrued and other current liabilities	$—	$—	$ (2)	$ (1)	$ (4)	$ (5)
Other non-current liabilities	$ (5)	$ (11)	$ (93)	$ (88)	$ (35)	$ (36)

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A number of the Business' pension benefit plans were underfunded as of December 31, 2020 and 2019, having accumulated benefit obligations exceeding the fair value of plan assets. Information for the underfunded pension benefit plans is as follows:

	U.S. Plan		Non-U.S. Plans	
(in millions)	2020	2019	2020	2019
Projected benefit obligation	$236	$227	$ 280	$ 246
Accumulated benefit obligation	236	227	276	242
Fair value of plan assets	231	216	185	157

The Business' policy for funding its pension benefit plans is to make contributions that meet or exceed the minimum statutory funding requirements. These contributions are determined based upon recommendations made by the actuary under accepted actuarial principles. In 2021, the Business expects to contribute $0, $9 million and $4 million to the U.S. pension benefit plan, the non-U.S. pension benefit plans and the U.S. postretirement benefit plan, respectively. The Business plans to use postretirement benefit plan assets and cash on hand, as necessary, to fund the U.S. postretirement benefit plan benefit payments in 2021.

Estimated Future Benefit Payments

Future benefit payments over the next 10 years for the pension benefit plans and the postretirement benefit plan, which reflect expected future service, as appropriate, are expected to be paid as follows:

	Pension Benefit Plans		U.S. Postretirement Benefit Plan
(in millions)	U.S. Plan	Non-U.S. Plans	
2021	$ 14	$ 5	$ 4
2022	19	5	4
2023	17	5	4
2024	17	5	3
2025	17	6	3
2026-2030	75	33	12

Assumptions

The weighted-average assumptions used to determine net periodic benefit costs and benefit obligations for 2020, 2019 and 2018 were as follows:

	Pension Benefit Plans			U.S. Postretirement Benefit Plan		
	2020	2019	2018	2020	2019	2018
For Determining Net Periodic (Benefit) Cost						
U.S. Plans:						
Discount rate	3.16%	4.25%	3.56%	3.04%	4.16%	3.47%
Expected rate of return on plan assets	6.25%	7.25%	7.50%	—	—	—
Rate of compensation increase	—	—	—	—	—	—
Interest crediting rate	5.00%	5.00%	5.00%			
Non-U.S. Plans:						
Discount rate	1.48%	2.19%	2.13%			
Expected rate of return on plan assets	2.97%	3.45%	3.70%			
Rate of compensation increase	2.99%	2.76%	2.77%			

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	Pension Benefit Plans		U.S. Postretirement Benefit Plan	
	2020	2019	2020	2019
For Determining Benefit Obligation				
U.S. Plans:				
Discount rate	2.25%	3.16%	2.09%	3.04%
Rate of compensation increase	—	—	—	—
Interest crediting rate	4.75%	5.00%		
Non-U.S. Plans:				
Discount rate	1.19%	1.47%		
Rate of compensation increase	2.50%	2.96%		

The expected long-term rate of return on plan assets was developed based on a capital markets model that uses expected asset class returns, variance and correlation assumptions. The expected asset class returns were developed starting with current Treasury (for the U.S. pension plan) or Eurozone (for the Ireland pension plans) government yields and then adding corporate bond spreads and equity risk premiums to develop the return expectations for each asset class. The expected asset class returns are forward-looking. The variance and correlation assumptions are also forward looking They take into account historical relationships, but are adjusted to reflect expected capital market trends

The discount rate used to determine benefit obligations represents the current rate at which the benefit plan liabilities could be effectively settled considering the timing of expected payments for plan participants.

The 2021 expected rate of return for the U.S. pension benefit plan will be 5.00%. The 2021 expected rate of return for the Ireland pension benefit plans will be 2.75%.

Pension Benefit Plans Assets

Pension benefit plan assets are invested in several asset categories The following presents the actual asset allocation as of December 31, 2020 and 2019:

	2020	2019
U.S. Plan		
Cash and cash equivalents	1%	1%
Equity securities	39%	55%
Fixed income securities	60%	44%
Non-U.S. Plans		
Cash and cash equivalents	2%	4%
Equity securities	28%	25%
Fixed income securities	59%	66%
Other	11%	5%

The investment strategy underlying pension plan asset allocation is to manage the assets of the plan to provide for the non-current liabilities while maintaining sufficient liquidity to pay current benefits. Pension plan assets are diversified to protect against large investment losses and to reduce the probability of excessive performance volatility. Diversification of assets is achieved by allocating funds to various asset classes and investment styles within asset classes, and retaining investment management firm(s) with complementary investment philosophies, styles and approaches.

The Business' pension plan assets are managed by outside investment managers using a total return investment approach, whereby a mix of equity and debt securities investments are used to maximize the long-term rate of return on plan assets. A significant portion of the assets of the U.S. and Ireland pension plans have been invested in equity securities, as equity portfolios have historically provided higher returns than debt and other asset classes over extended time horizons. Correspondingly, equity investments also

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entail greater risks than other investments. Equity risks are balanced by investing a significant portion of plan assets in broadly diversified fixed income securities.

Fair Value of Plan Assets

The Business measured the fair value of plan assets based on the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5, "FAIR VALUE MEASUREMENTS" for details on the Business' fair value measurements based on a three-tier hierarchy.

The table below presents total plan assets by investment category as of December 31, 2020 and 2019 and the classification of each investment category within the fair value hierarchy with respect to the inputs used to measure fair value. There were no Level 3 plan assets for any period presented and there were no transfers between Level 1 and Level 2 during 2020 and 2019.

	Pension Benefit Plans—U.S. Plans					
	December 31, 2020			December 31, 2019		
(in millions)	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	$ 2	$ —	$ 2	$ 1	$ —	$ 1
Commingled funds:						
Equity securities:						
U.S. broad market	—	48	48	—	64	64
Emerging markets	—	9	9	—	15	15
Worldwide developed markets	—	20	20	—	26	26
Other assets	—	14	14	—	15	15
Fixed income securities:						
Investment grade	—	138	138	—	95	95
	$ 2	$ 229	$231	$ 1	$ 215	$216

	Pension Benefit Plans—Non-U.S. Plans					
	December 31, 2020			December 31, 2019		
(in millions)	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash equivalents	$ —	$ 3	$ 3	$ —	$ 7	$ 7
Commingled funds:						
Equity securities:						
Emerging markets	—	1	1	—	2	2
Developed markets	—	51	51	—	38	38
Fixed income securities:						
Investment grade	—	6	6	—	9	9
Global high yield	—	1	1	—	3	3
Government bond funds	1	102	103	1	90	91
Other assets	—	20	20	—	7	7
	$ 1	$ 184	$185	$ 1	$ 156	$157

Cash equivalents consisted primarily of term deposits and money market instruments. The fair value of the term deposits approximates their carrying amounts due to their short term maturities. The money market instruments also have short maturities and are valued using a market approach based on the quoted market prices of identical instruments.

Commingled funds are not publicly traded. The underlying assets in these funds are publicly traded on the exchanges and have readily available price quotes. The Ireland pension plans held approximately 95% of the

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non U S commingled funds in 2020 and 2019 The commingled funds held by the U S and Ireland pension plans are primarily invested in index funds.

The underlying assets in the fixed income funds are generally valued using the net asset value per fund share, which is derived using a market approach with inputs that include broker quotes, benchmark yields, base spreads and reported trades.

Defined Contribution Plans

BHC sponsors defined contribution plans in the U.S., Ireland and certain other countries, which the Business participates in. Under these plans, employees are allowed to contribute a portion of their salaries to the plans, and the Business matches a portion of the employee contributions. BHC, on behalf of the Business, contributed $36 million, $34 million and $30 million to these plans during the years 2020, 2019 and 2018, respectively.

Multiemployer Plans

BHC offers certain of its defined benefit plans, a participatory defined benefit postretirement medical and life insurance plans and defined contribution plan to be shared amongst its businesses, including Bausch + Lomb, and the participation of its employees and retirees in these plans is reflected as though Bausch + Lomb participated in a multiemployer plan with BHC. A proportionate share of the cost associated with the multiemployer plan is reflected in the Combined Financial Statements, while any assets and liabilities associated with the multiemployer plan are retained by BHC and recorded on BHC's balance sheet. Bausch + Lomb's proportionate share of these costs were not material for any period presented.

11. LEASES

Right-of-use assets and lease liabilities associated with the Business' operating leases are included in the Combined Balance Sheet as of December 31, 2020 and 2019 as follows:

(in millions)	2020	2019
Right-of-use assets included in:		
Other non-current assets	$100	$93
Lease liabilities included in:		
Accrued and other current liabilities	$ 18	$16
Other non-current liabilities	83	77
Total lease liabilities	$101	$93

As of December 31, 2020 and 2019, the Business' finance leases were not material and for 2020 and 2019 sub-lease income and short-term lease expense were not material. Lease expense for 2020 and 2019 includes:

(in millions)	2020	2019
Operating lease costs	$36	$36
Variable operating lease costs	$ 5	$ 7

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Other information related to operating leases for 2020 and 2019 is as follows:

(dollars in millions)	2020	2019
Cash paid from operating cash flows for amounts included in the measurement of lease liabilities	$ 24	$ 25
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 21	$ 18
Weighted-average remaining lease term	8.9 years	9.9 years
Weighted-average discount rate	6.2%	6.3%

Right-of-use assets obtained in exchange for new operating lease liabilities during the year ended December 31, 2019 of $18 million in the table above does not include $96 million of right-of-use assets recognized upon adoption of the new standard for accounting for leases on January 1, 2019. See Note 2, "SIGNIFICANT ACCOUNTING POLICIES" for further detail regarding the impact of adoption.

As of December 31, 2020, future payments under noncancelable operating leases for each of the five succeeding years ending December 31 and thereafter are as follows:

(in millions)	
2021	$ 24
2022	19
2023	15
2024	13
2025	11
Thereafter	53
Total	135
Less: Imputed interest	34
Present value of remaining lease payments	101
Less: Current portion	18
Non-current portion	$ 83

Upon adopting the new lease guidance, the Business elected the modified retrospective approach without revising prior periods. Rental expense related to operating lease agreements was $49 million for 2018

12. SHARE-BASED COMPENSATION

The Business participates in BHC's long-term incentive program. Accordingly, the following disclosures represent share-based compensation expense attributable to Bausch + Lomb based on the awards and terms previously granted under BHC's share-based compensation plans. Share-based compensation expense attributable to Bausch + Lomb is derived from: (i) the specific identification of Bausch + Lomb employees, and (ii) an allocation of charges from BHC, related to BHC employees providing corporate services to Bausch + Lomb. Accordingly, the amounts presented are not necessarily indicative of future awards and do not necessarily reflect the results that the Business would have experienced as an independent company for the periods presented.

In May 2014, BHC shareholders approved BHC's 2014 Omnibus Incentive Plan (the "2014 Plan") which replaced the BHC's 2011 Omnibus Incentive Plan (the "2011 Plan") for future equity awards granted by BHC. BHC transferred the common shares available under the 2011 Plan to the 2014 Plan. The maximum number of common shares that may be issued to participants under the 2014 Plan is equal to 18,000,000 common shares, plus the number of common shares under the 2011 Plan reserved but unissued and not underlying outstanding awards and the number of common shares becoming available for reuse after awards are terminated, forfeited, cancelled, exchanged or surrendered under the 2011 Plan and the BHC's 2007 Equity Compensation Plan. BHC registered 20,000,000 common shares for issuance under the 2014 Plan.

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Effective April 30, 2018, BHC amended and restated its 2014 Plan (the "Amended and Restated 2014 Plan"). The Amended and Restated 2014 Plan includes the following amendments: (i) the number of common shares authorized for issuance under the Amended and Restated 2014 Plan has been increased by an additional 11,900,000 common shares, as approved by the requisite number of BHC shareholders at BHC's annual general meeting held on April 30, 2018, (ii) introduction of a $750,000 aggregate fair market value limit on awards (in either equity, cash or other compensation) that can be granted in any calendar year to a participant who is a non-employee director, (iii) housekeeping changes to address recent changes to Section 162(m) of the Internal Revenue Code, (iv) awards are expressly subject to the BHC's clawback policy and (v) awards not assumed or substituted in connection with a Change of Control (as defined in the Amended and Restated 2014 Plan) will only vest on a pro rata basis.

Effective April 28, 2020, BHC further amended and restated the Amended and Restated 2014 Plan (the "Further Amended and Restated 2014 Plan"). The Further Amended and Restated 2014 Plan includes the following amendments: (i) the number of common shares authorized for issuance under the Further Amended and Restated 2014 Plan has been increased by an additional 13,500,000 common shares, as approved by the requisite number of BHC shareholders at BHC's annual general meeting held on April 28, 2020, (ii) the exercise price of stock options and share appreciation rights ("SARs") will be based on the closing price of the underlying common shares on the date such stock options or SARs are granted (rather than on the last preceding trading date), (iii) additional provisions clarifying that: (a) stock options and SARs will not be eligible for the payment of dividend or dividend equivalents and (b) the Talent and Compensation Committee of the Board of Directors of BHC cannot, without BHC shareholder approval, seek to effect any repricing of any previously granted "underwater" stock option or SAR and (iv) other housekeeping and/or clerical changes.

BHC has a long term incentive program with the objective of realigning the share based awards granted to senior management with BHC's focus on improving its tangible capital usage and allocation while maintaining focus on improving BHC total shareholder return over the long-term. The share-based awards granted under this long-term incentive program consist of time-based stock options, time-based RSUs and performance-based RSUs. Performance-based RSUs are comprised of: (i) awards that vest upon achievement of certain share price appreciation conditions that are based on BHC TSR and (ii) awards that vest upon attainment of certain performance targets that are based on the BHC's ROTC.

Approximately 16,902,000 of BHC's common shares were available for future grants as of December 31, 2020. BHC uses reserved and unissued common shares to satisfy its obligation under its share-based compensation plans.

The components and classification of share-based compensation expense related to stock options and RSUs directly attributable to those employees specifically identified as Bausch + Lomb employees for the years 2020, 2019 and 2018 were as follows

(in millions)	2020	2019	2018
Stock options	$ 3	$ 3	$ 3
RSUs	27	24	18
Share-based compensation expense	$ 30	$ 27	$ 21
Research and development expenses	$ 5	$ 6	$ 5
Selling, general and administrative expenses	25	21	16
Share-based compensation expense	$ 30	$ 27	$ 21

In addition to share-based compensation expense attributable to employees that are specific to the Bausch + Lomb business, share-based compensation expense also includes $20 million, $23 million and $22 million for the years 2020, 2019 and 2018 respectively, of allocated charges from BHC, based on revenues, related to BHC employees providing corporate services to Bausch + Lomb.

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Stock Options

Stock options granted under the 2011 Plan and the Amended and Restated 2014 Plan generally expire on the fifth or tenth anniversary of the grant date. The exercise price of any stock option granted under the 2011 Plan and the Amended and Restated 2014 Plan will not be less than the closing price per common share preceding the date of grant. Stock options generally vest 33% and 25% each year over a three-year and four-year period, respectively, on the anniversary of the date of grant.

The fair values of all stock options granted for the years 2020, 2019 and 2018 were estimated as of the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2020	2019	2018
Expected stock option life (years)	3.0	3.0	3.0
Expected volatility	38.6%	46.5%	54.1%
Risk-free interest rate	1.2%	2.5%	2.7%
Expected dividend yield	— %	— %	— %

The expected stock option life was determined based on historical exercise and forfeiture patterns associated with historical BHC stock option grants. The expected volatility was determined based on implied volatility in the market traded options of the BHC's common shares. The risk-free interest rate was determined based on the rate at the time of grant for zero-coupon U.S. government bonds with maturity dates equal to the expected life of the stock option. The expected dividend yield was determined based on the stock option's exercise price and expected BHC annual dividend rate at the time of grant.

The Black-Scholes option-pricing model used by BHC to calculate stock option values was developed to estimate the fair value of freely tradable, fully transferable stock options without vesting restrictions, which significantly differ from BHC's stock option awards. This model also requires highly subjective assumptions, including future stock price volatility and expected time until exercise.

The weighted-average fair values of stock options granted to Bausch + Lomb employees in 2020, 2019 and 2018 were $6.60, $8.47 and $5.95, respectively. The total intrinsic values of, and proceeds received from, stock options exercised in 2020, 2019 and 2018, by employees specifically identified as Bausch + Lomb employees, were not material.

As of December 31, 2020, the total remaining unrecognized compensation expense related to non-vested stock options of employees specifically identified as Bausch + Lomb employees amounted to $2 million, which will be amortized over the weighted-average remaining requisite service period of approximately 1.5 years. The total fair value of stock options vested in 2020, 2019 and 2018 were $2 million, $2 million and $3 million, respectively.

RSUs

RSUs generally vest on the first or third anniversary date from the date of grant or 33% a year over a three-year period. Pursuant to the applicable unit agreement, certain RSUs may be subject to the attainment of any applicable performance goals specified by the Board of Directors. If the vesting of the RSUs is conditional upon the attainment of performance goals, any RSUs that do not vest as a result of a determination that the prescribed performance goals failed to be attained will be forfeited immediately upon such determination. RSUs are credited with dividend equivalents, in the form of additional RSUs, when dividends are paid on the BHC's common shares. Such additional RSUs will have the same vesting dates and will vest under the same terms as the RSUs in respect of which such additional RSUs are credited.

To the extent provided for in a RSU agreement, BHC may, in lieu of all or a portion of the common shares which would otherwise be provided to a holder, elect to pay a cash amount equivalent to the market price of the BHC's common shares on the vesting date for each vested RSU. The amount of cash payment will be determined based on the average market price of BHC's common shares on the vesting date. BHC's current intent is to settle vested RSUs through the issuance of common shares.

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Time-Based RSUs

Each vested time-based RSU represents the right of a holder to receive one of BHC's common shares. The fair value of each RSU granted is estimated based on the trading price of BHC's common shares on the date of grant.

As of December 31, 2020, the total remaining unrecognized compensation expense related to non-vested time-based RSUs of those employees specifically identified as Bausch + Lomb employees amounted to $20 million, which will be amortized over the weighted-average remaining requisite service period of approximately 1.5 years. The total fair value of time-based RSUs vested in 2020, 2019 and 2018 were $19 million, $11 million and $8 million, respectively.

Performance-Based RSUs

Each vested performance-based RSU represents the right of a holder to receive a number of BHC's common shares up to a specified maximum. Performance-based RSUs vest upon achievement of certain BHC share price appreciation conditions or attainment of certain BHC performance targets. If BHC's performance is below a specified performance level, no common shares will be paid.

The fair value of each TSR performance-based RSU granted during 2020, 2019 and 2018 was estimated using a Monte Carlo Simulation model, which utilizes multiple input variables to estimate the probability that the performance condition will be achieved. The fair value of the ROTC performance-based RSUs is estimated based on the trading price of BHC's common shares on the date of grant. Expense recognized for the ROTC performance-based RSUs in each reporting period reflects BHC's latest estimate of the number of ROTC performance-based RSUs that are expected to vest. If the ROTC performance-based RSUs do not ultimately vest due to the ROTC targets not being met, no compensation expense is recognized and any previously recognized compensation expense is reversed.

The fair values of TSR performance-based RSUs granted during 2020, 2019 and 2018 were estimated with the following assumptions:

	2020	2019	2018
Contractual term (years)	3.0	3.0	3.0
Expected volatility	38.6%	46.5%	54.2%
Risk-free interest rate	1.2%	2.5%	2.7%

The expected volatility was determined based on implied volatility in the market traded options of BHC's common shares. The risk-free interest rate was determined based on the rate at the time of grant for zero-coupon U.S. government bonds with maturity dates equal to the contractual term of the performance-based RSUs.

During 2020, approximately 143,000 performance-based RSUs, consisting of approximately 64,000 units of TSR performance-based RSUs with an average grant date fair value of $26.13 per RSU and approximately 80,000 units of ROTC performance-based RSUs with a weighted-average grant date fair value of $27.17 per RSU were granted to employees specifically identified as Bausch + Lomb employees.

As of December 31, 2020, the total remaining unrecognized compensation expense related to non-vested performance-based RSUs of employees specifically identified as Bausch + Lomb employees amounted to $4 million, which will be amortized over the weighted-average remaining requisite service period of approximately 1.4 years. A maximum of approximately 525,000 common shares could be issued upon vesting of the performance-based RSUs outstanding as of December 31, 2020.

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13. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss as of December 31, 2020 and 2019 consists of:

(in millions)	2020	2019
Foreign currency translation adjustment	$(835)	$(1,003)
Pension adjustment, net of tax	(54)	(43)
	$(889)	$(1,046)

Income taxes are not provided for foreign currency translation adjustments arising on the translation of the Business' operations having a functional currency other than the U.S. dollar, except to the extent of translation adjustments related to the Business' retained earnings for foreign jurisdictions in which the Business is not considered to be permanently reinvested.

14. RESEARCH AND DEVELOPMENT

Included in Research and development are costs related to product development and quality assurance programs. Quality assurance are the costs incurred to meet evolving customer and regulatory standards. Research and development costs for the years 2020, 2019 and 2018 consists of:

(in millions)	2020	2019	2018
Product related research and development	$236	$234	$196
Quality assurance	17	24	25
Research and development	$253	$258	$221

15. OTHER EXPENSE, NET

Other expense, net for the years 2020, 2019 and 2018 consists of:

(in millions)	2020	2019	2018
Asset impairments	$ 1	$ 16	$ 52
Restructuring and integration costs	2	8	3
Acquisition-related contingent consideration	—	—	(29)
Net gain on sales of assets	—	—	(13)
Litigation and other matters	6	16	(2)
Acquired in-process research and development costs	28	31	—
Other, net	1	(4)	—
Other expense, net	$ 38	$ 67	$ 11

Long-lived assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset group may not be recoverable. Asset impairments are discussed in Note 8, "INTANGIBLE ASSETS AND GOODWILL."

The Business evaluates opportunities to improve its operating results and implements cost savings programs to streamline its operations and eliminate redundant processes and expenses. Restructuring and integration costs are expenses associated with the implementation of these cost savings programs include expenses associated with: (i) reducing headcount, (ii) eliminating real estate costs associated with unused or under-utilized facilities and (iii) other cost reduction initiatives.

In 2018, Acquisition-related contingent consideration of $29 million reflects reduction of the estimated future milestone payments due over time, in accordance with certain acquisition agreements.

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Litigation and other matters includes net charges related to litigation matters. These matters and other significant matters are discussed in further detail in Note 18, "LEGAL PROCEEDINGS."

In 2020 and 2019, Acquired in-process research and development costs of $28 million and $31 million, primarily consist of costs associated with the upfront payments to enter into certain exclusive licensing agreements.

16. INCOME TAXES

The components of Income before (provision for) benefit from income taxes for 2020, 2019 and 2018 consist of:

(in millions)	2020	2019	2018
Domestic	$387	$ 66	$ (62)
Foreign	(97)	333	479
	$290	$399	$417

The components of (Provision for) benefit from income taxes for 2020, 2019 and 2018 consist of:

(in millions)	2020	2019	2018
Current:			
Domestic	$(122)	$ (13)	$ —
Foreign	(33)	(116)	(135)
	(155)	(129)	(135)
Deferred:			
Domestic	(582)	(7)	610
Foreign	430	40	(173)
	(152)	33	437
	$(307)	$ (96)	$ 302

The (Provision for) benefit from income taxes differs from the expected amount calculated by applying the Business' Canadian statutory rate of 26.9% to Income before (provision for) benefit from income taxes for 2020, 2019 and 2018 as follows:

(in millions)	2020	2019	2018
Income before (provision for) benefit from income taxes	$ 290	$ 399	$ 417
(Provision for) benefit from income taxes			
Expected provision for income taxes at Canadian statutory rate	$ (78)	$(108)	$(112)
Adjustments to tax attributes	(2)	4	(7)
Change in valuation allowance related to foreign tax credits and NOLs	68	(11)	(4)
Change in uncertain tax positions	38	—	(12)
Withholding tax	1	(13)	(4)
Return to provision	18	(16)	(7)
Foreign tax rate differences	(63)	44	71
Tax (provision) benefit on intra-entity transfers	(284)	(7)	381
Other	(5)	11	(4)
	$(307)	$ (96)	$ 302

The tax (provision) benefit on intra-entity transfers is related to the deferred tax effects of transfers of certain assets among the Business' subsidiaries.

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Deferred tax assets and liabilities as of December 31, 2020 and 2019 consist of:

(in millions)	2020	2019
Deferred tax assets:		
Tax loss carryforwards	$ 579	$ 424
Intangible assets	362	703
Provisions	137	133
Research and development tax credits	5	4
Share-based compensation	9	11
Other	15	37
Total deferred tax assets	1,107	1,312
Less valuation allowance	(15)	(83)
Net deferred tax assets	1,092	1,229
Deferred tax liabilities:		
Plant, equipment and technology	71	59
Outside basis differences	12	16
Total deferred tax liabilities	83	75
Net deferred tax asset	$1,009	$1,154

The realization of deferred tax assets is dependent on the Business generating sufficient domestic and foreign taxable income in the years that the temporary differences become deductible. A valuation allowance has been provided for the portion of the deferred tax assets that the Business determined is more likely than not to remain unrealized based on estimated future taxable income and tax planning strategies. The valuation allowance decreased by $68 million during 2020 primarily due to an intra-group restructuring whereby the Business' German subsidiary joined its German consolidated group thereby losses became available for use.

As of December 31, 2020 the Business had accumulated taxable losses available to offset future years' federal and provincial taxable income in Canada of approximately $2 million and expire from 2038 to 2040. As of December 31, 2020 the Business had accumulated taxable losses available to offset future years' federal taxable income in the U.S. of approximately $81 million and expire from 2021 to 2037. These taxable losses are subject to annual loss limitations as a result of previous ownership changes. As of December 31, 2020 the Business had accumulated taxable losses available to offset future years taxable income in Ireland of approximately $3,734 million.

The Business provides for withholding tax on the unremitted earnings of its direct foreign affiliates except for its direct U.S. subsidiaries. The Business continues to assert that the unremitted earnings of its U.S. subsidiaries will be permanently reinvested and not repatriated. As of December 31, 2020, the Business estimates a tax liability of $15 million would be attributable to the permanently reinvested U.S. earnings if recognized.

As of December 31, 2020, unrecognized tax benefits (including interest and penalties) were $62 million, of which $62 million would affect the effective income tax rate. In 2020, the remaining unrecognized tax benefits would not impact the effective tax rate as the tax positions are offset against existing tax attributes or are timing in nature. The Business recognized a net decrease of $15 million during 2020, in the unrecognized tax benefits related to tax positions taken in the prior years.

The Business provides for interest and penalties related to unrecognized tax benefits in the provision for income taxes. As of December 31, 2020 and 2019, accrued interest and penalties related to unrecognized tax benefits were approximately $7 million and $8 million, respectively. In 2020, 2019 and 2018, the Business recognized a net decrease of approximately $2 million and a net increase of approximately $1 million and $1 million of interest and penalties, respectively.

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The Business and one or more of its subsidiaries file federal income tax returns in Canada, the U S , and other foreign jurisdictions, as well as various provinces and states in Canada and the U.S. The Business and its subsidiaries have open tax years, primarily from 2013 to 2020, with significant taxing jurisdictions listed in the table below, respectively, including Canada and the U.S. These open years contain certain matters that could be subject to differing interpretations of applicable tax laws and regulations and tax treaties, as they relate to the amount, timing, or inclusion of revenues and expenses, or the sustainability of income tax positions of the Business and its subsidiaries. Certain of these tax years are expected to remain open indefinitely.

Jurisdiction:	Open Years
United States—Federal	2015 - 2020
Canada	2015 - 2020
Germany	2014 - 2020
France	2013 - 2020
Ireland	2016 - 2020

The following table presents a reconciliation of the unrecognized tax benefits for 2020, 2019 and 2018:

(in millions)	2020	2019	2018
Balance, beginning of year	$100	$100	$ 88
Additions based on tax positions related to the current year	—	—	8
Additions for tax positions of prior years	8	6	18
Reductions for tax positions of prior years	(42)	(2)	(10)
Lapse of statute of limitations	(4)	(4)	(4)
Balance, end of year	$ 62	$100	$100

The Business believes that the total amount of unrecognized tax benefits at December 31, 2020 would not change in the next twelve months.

17. SUPPLEMENTAL CASH FLOW DISCLOSURES

Supplemental cash flow disclosures for 2020, 2019 and 2018 are as follows:

(in millions)	2020	2019	2018
Other Payments			
Interest paid	$ 3	$ 1	$—
Income taxes paid	$57	$84	$ 36

18. LEGAL PROCEEDINGS

The Business is involved, and, from time to time, may become involved, in various legal and administrative proceedings, which include or may include product liability, intellectual property, commercial, tax, antitrust, governmental and regulatory investigations, related private litigation and ordinary course employment-related issues. From time to time, the Business also initiates or may initiate actions or file counterclaims. The Business could be subject to counterclaims or other suits in response to actions it may initiate. The Business believes that the prosecution of these actions and counterclaims is important to preserve and protect the Business, its reputation and its assets. Certain of these proceedings and actions are described below.

As of December 31, 2020, the Business' Combined Balance Sheets includes accrued current loss contingencies of $5 million related to matters which the Business believes a potential resolution or settlement is both probable and reasonably estimable. For all other matters, unless otherwise indicated, the Business cannot reasonably predict the outcome of these legal proceedings, nor can it estimate the amount

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of loss, or range of loss, if any, that may result from these proceedings. An adverse outcome in certain of these proceedings could have a material adverse effect on the business, financial condition and results of operations, and could cause the market value of its common shares and/or debt securities to decline.

Product Liability

Shower to Shower® Products Liability Litigation

Since 2016, BHC has been named in a number of product liability lawsuits involving the Shower to Shower® body powder product acquired in September 2012 from Johnson & Johnson; due to dismissals, thirty (30) of such product liability suits currently remain pending. Potential liability (including its attorneys' fees and costs) arising out of these remaining suits is subject to full indemnification obligations of Johnson & Johnson owed to the Business, and legal fees and costs will be paid by Johnson & Johnson. Twenty-eight (28) of these lawsuits filed by individual plaintiffs allege that the use of Shower to Shower® caused the plaintiffs to develop ovarian cancer, mesothelioma or breast cancer. The allegations in these cases include failure to warn, design defect, manufacturing defect, negligence, gross negligence, breach of express and implied warranties, civil conspiracy concert in action, negligent misrepresentation, wrongful death, loss of consortium and/or punitive damages. The damages sought include compensatory damages, including medical expenses, lost wages or earning capacity, loss of consortium and/or compensation for pain and suffering, mental anguish anxiety and discomfort, physical impairment and loss of enjoyment of life. Plaintiffs also seek pre- and post-judgment interest, exemplary and punitive damages, and attorneys' fees. Additionally, two proposed class actions have been filed in Canada against BHC and various Johnson & Johnson entities (one in the Supreme Court of British Columbia and one in the Superior Court of Quebec), on behalf of persons who have purchased or used Johnson & Johnson's Baby Powder or Shower to Shower®. The class actions allege the use of the product increases certain health risks (British Columbia) or negligence in failing to properly test, failing to warn of health risks, and failing to remove the products from the market in a timely manner (Quebec). The plaintiffs in these actions are seeking awards of general, special, compensatory and punitive damages. On November 17, 2020, the British Columbia court issued a judgment declining to certify a class as to BHC or Shower to Shower®, and at this time no appeal of that judgment has been filed.

In accordance with the indemnification agreement, Johnson & Johnson will continue to vigorously defend the Business in each of the remaining actions that are not voluntarily dismissed or subject to a grant of summary judgment.

General Civil Actions

California Proposition 65 Related Matters

On January 29, 2020, Plaintiff Jan Graham filed a lawsuit (Graham v. Bausch Health Companies, Inc., et al., Case No. 20STCV03578) in Los Angeles County Superior Court against BHC, Bausch Health US (as defined below) and several other manufacturers, distributors and retailers of talcum powder products, alleging violations of California Proposition 65 by manufacturing and distributing talcum powder products containing chemicals listed under the statue, without a compliant warning on the label. On January 29, 2021, certain defendants including BHC and Bausch Health US filed a Motion for Summary Judgment or in the Alternative Motion for Summary Adjudication, which remains pending.

On June 19, 2019, plaintiffs filed a proposed class action in California state court against Bausch Health US and Johnson & Johnson (Gutierrez, et al. v. Johnson & Johnson, et al., Case No. 37-2019-00025810-CU-NP-CTL), asserting claims for purported violations of the California Consumer Legal Remedies Act, False Advertising Law and Unfair Competition Law in connection with their sale of talcum powder products that the plaintiffs allege violated Proposition 65 and/or the California Safe Cosmetics Act. This lawsuit was served on Bausch Health US in June 2019 and was subsequently removed to the United States District Court for the Southern District of California, where it is currently pending. Plaintiffs seek

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damages, disgorgement of profits, injunctive relief, and reimbursement/restitution BHC filed a motion to dismiss Plaintiffs' claims, which was granted in April 2020 without prejudice. In May 2020, Plaintiffs filed an amended complaint and in June 2020, filed a motion for leave to amend the complaint further, which was granted. In August 2020, Plaintiffs filed the Fifth Amended Complaint. On January 22, 2021, the Court granted the motion to dismiss with prejudice. On February 19, 2021, Plaintiffs filed a Notice of Appeal with the Ninth Circuit Court of Appeals.

The Business disputes the claims against it and intends to defend each of these lawsuits vigorously.

New Mexico Attorney General Consumer Protection Action

BHC and Bausch Health US were named in an action brought by State of New Mexico ex rel. Hector H. Balderas, Attorney General of New Mexico, in the County of Santa Fe New Mexico First Judicial District Court (New Mexico ex rel. Balderas v. Johnson & Johnson, et al., Civil Action No. D-101-CV-2020-00013, filed on January 2, 2020), alleging consumer protection claims against Johnson & Johnson and Johnson & Johnson Consumer Companies, Inc., BHC and Bausch Health US related to Shower to Shower® and its alleged causal link to mesothelioma and other cancers. In April 2020, Bausch Health US filed a motion to dismiss, which in September 2020, the Court granted in part as to the New Mexico Medicaid Fraud Act and New Mexico Fraud Against Taxpayers Act claims and denied as to all other claims. The State of New Mexico brings claims against all defendants under the New Mexico Unfair Practices Act and other common law and equitable causes of action, alleging defendants engaged in wrongful marketing, sale and promotion of talcum powder products. The lawsuit seeks to recover the cost of the talcum powder products as well as the cost of treating asbestos-related cancers allegedly caused by those products. Bausch Health US filed its Answer on November 16, 2020. On December 30, 2020 Johnson & Johnson filed a Motion for Partial Judgment on the Pleadings and on January 4, 2021, Bausch Health US filed a joinder to that motion, which was denied on March 8, 2021.

The Business disputes the claims against it and intends to defend each of these lawsuits vigorously.

Doctors Allergy Formula Lawsuit

In April 2018, Doctors Allergy Formula, LLC ("Doctors Allergy"), filed a lawsuit against Bausch Health Americas in the Supreme Court of the State of New York, County of New York, asserting breach of contract and related claims under a 2015 Asset Purchase Agreement, which purports to include milestone payments that Doctors Allergy alleges should have been paid by Bausch Health Americas. Doctors Allergy claims its damages are not less than $23 million. The Business has asserted counterclaims against Doctors Allergy. The Business filed a motion seeking an order granting the Business summary judgment on its counterclaims against Plaintiff and dismissing Plaintiff's claims against the Business. The motion was fully briefed as of May 2021 and remains *sub judice*.

Intellectual Property Matters

PreserVision® AREDS Patent Litigation

PreserVision® AREDS and PreserVision® AREDS 2 are OTC eye vitamin formulas for those with moderate-to-advanced AMD. The PreserVision® U.S. formulation patent expired in March 2021, but a patent covering methods of using the formulation remains in force into 2026. B&L has filed patent infringement proceedings against 15 defendants claiming infringement of these patents and, in certain circumstances, related unfair competition and false advertising causes of action. Ten of these proceedings were subsequently settled; one resulted in a default. One defendant filed a declaratory judgment action after B&L filed its suit, seeking declaratory judgment related to patent claims as well as false advertising and unfair competition claims. Today, there are five ongoing actions, against four companies: (1) Bausch & Lomb Inc. & PF Consumer Healthcare 1 LLC v. ZeaVision LLC, C.A. No. 6:20-cv-06452-CJS (W.D.N.Y.);

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(2) ZeaVision LLC v. Bausch & Lomb Inc. & PF Consumer Healthcare 1 LLC, C.A. No. 4:21-cv-00072-NCC (E.D. Mo.); (3) Bausch & Lomb Inc. & PF Consumer Healthcare 1 LLC v. SBH Holdings LLC, C.A. No. 20-cv-01463-LPS (D. Del.); (4) Bausch & Lomb Inc. & PF Consumer Healthcare 1 LLC v. New Era Real Estate Solutions LLC, C.A. No. 21-cv-00731 (D. Del.); and (5) Bausch & Lomb Inc. & PF Consumer Healthcare 1 LLC v. EyeScience Labs LLC, C.A. No. 21-cv-00730 (D. Del.). The Business remains confident in the strength of these patents and will continue to vigorously pursue these matters and defend its intellectual property.

19. COMMITMENTS AND CONTINGENCIES

The Business has commitments related to capital expenditures of approximately $49 million as of December 31, 2020.

Under certain agreements, the Business may be required to make payments contingent upon the achievement of specific developmental, regulatory, or commercial milestones. As of December 31, 2020, the Business believes it is reasonably possible that it may potentially make milestone and license fee payments, including sales-based milestone payments, of approximately $165 million over time, in the aggregate, to third parties for products currently under development or being marketed, primarily consisting of the following:

- Under the terms of a December 2019 agreement with Novaliq GmbH, the Business has acquired an exclusive license for the commercialization and development in the U.S. and Canada of NOV03 (perfluorohexyloctane), an investigational drug to treat dry eye disease associated with Meibomian gland dysfunction and may be required to make sales-based milestone payments. The Business believes it is reasonably possible that these payments over time may approximate $45 million, in the aggregate, as well as royalties on future sales.
- Under the terms of an October 2020 agreement with Eyenovia, Inc., the Business has acquired an exclusive license in the United States and Canada for the development and commercialization of an investigational microdose formulation of atropine ophthalmic solution, which is being investigated for the reduction of pediatric myopia progression, also known as nearsightedness, in children ages 3-12. Under the terms of the agreement, the Business may be required to make development and sales-based milestone payments. The Business believes it is reasonably possible that these payments over time may approximate $35 million, in the aggregate.
- Under the terms of a November 2014 agreement with Nicox S.A., the Business has acquired an exclusive license for the commercialization in the U.S. of Vyzulta® (latanoprostene bunod ophthalmic solution, 0.024%), an intraocular pressure lowering single-agent eye drop dosed once daily for patients with open angle glaucoma or ocular hypertension and may be required to make sales-based milestone payments. The Business believes it is reasonably possible that these payments over time may approximate $20 million.
- Under the terms of a May 2020 agreement with STADA Arzneimittel AG and its development partner, Xbrane Biopharma AB, to commercialize in the United States and Canada a biosimilar candidate to Lucentis (ranibizumab), the Business may be required to make development and sales-based milestone payments.

In addition, under the terms of a September 2020 agreement with Allegro, the Business may be required to make a payment of $40 million should Allegro raise additional funding. This amount is excluded from the milestone and license fee payments disclosed above. See Note 4, "LICENSING AGREEMENTS AND ASSETS HELD FOR SALE" for additional details regarding this agreement.

Due to the nature of these arrangements, the future potential payments related to the attainment of the specified milestones over a period of several years are inherently uncertain. As of December 31, 2020, no accruals related to the aforementioned agreements exist because the milestone targets are not yet probable of being achieved.

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Indemnification Provisions

In the normal course of operations, the Business enters into agreements that include indemnification provisions for product liability and other matters. These provisions are generally subject to maximum amounts, specified claim periods and other conditions and limits. In addition, the Business is obligated to indemnify its officers and directors in respect of any legal claims or actions initiated against them in their capacity as officers and directors of the Business in accordance with applicable law. Pursuant to such indemnities, the Business is indemnifying certain former officers and directors in respect of certain litigation and regulatory matters. As of December 31, 2020 and 2019, no material amounts were accrued for the Business' obligations under these indemnification provisions.

20. SEGMENT INFORMATION

Reportable Segments

Bausch + Lomb has historically operated as part of BHC, reported under BHC's segment structure and historically the Chief Operating Decision Maker, ("CODM"), was the CODM of BHC. As the Business is transitioning into an independent, publicly traded company, BHC's CEO, who is the Business' CODM, evaluated how to view and measure the Business' performance. This evaluation necessitated a realignment of the Business' historical segment structure, and during the second quarter of 2021, Bausch + Lomb determined it is organized into three operating segments, which are also its reportable segments. This realignment is consistent with how the CODM: (i) assesses operating performance on a regular basis, (ii) makes resource allocation decisions and (iii) designates responsibilities of his direct reports. Pursuant to these changes, effective in the second quarter of 2021, the Business operates in the following reportable segments which are generally determined based on the decision making structure of the Business and the grouping of similar products and services: (i) Vision Care/Consumer Health Care, (ii) Ophthalmic Pharmaceuticals and (iii) Surgical. Prior period presentations have been recast to conform to the current segment reporting structure.

- ***The Vision Care / Consumer Health Care segment*** consists of: (i) sales of contact lenses that span the spectrum of wearing modalities, including daily disposable and frequently replaced contact lenses and (ii) sales of contact lens care products and over-the-counter ("OTC") eye drops, eye vitamins and mineral supplements that address various conditions including eye allergies, conjunctivitis and dry eye.
- ***The Ophthalmic Pharmaceuticals segment*** consists of sales of a broad line of proprietary and generic pharmaceutical products for post-operative treatments and the treatment of a number of eye conditions such as glaucoma, ocular hypertension and retinal diseases and contact lenses that are indicated for therapeutic use and can also provide optical correction during healing if required.
- ***The Surgical segment*** consists of sales of tools and technologies for the treatment of cataracts, and vitreous and retinal eye conditions and includes intraocular lenses and delivery systems, phacoemulsification equipment and other surgical instruments and devices.

Segment profit is based on operating income after the elimination of intercompany transactions. Certain costs, such as Amortization of intangible assets, Asset impairments, In-process research and development costs, Restructuring and integration costs, Acquisition-related contingent consideration costs and Other expense (income), net, are not included in the measure of segment profit, as management excludes these items in assessing segment financial performance.

Corporate includes the finance, treasury, certain research and development programs, tax and legal operations of Bausch + Lomb's businesses and incurs certain expenses, gains and losses related to the overall management of the Business, which are not allocated to the other business segments. In assessing segment performance and managing operations, management does not review segment assets. Furthermore, a portion of share-based compensation is considered a corporate cost, since the amount of such expense depends on company-wide performance rather than the operating performance of any single segment.

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Segment Revenues and Profit

Segment revenues and profits for the years 2020, 2019 and 2018 were as follows:

(in millions)	2020	2019	2018
Revenues:			
Vision Care/Consumer Health Care	$2,109	$2,221	$2,145
Ophthalmic Pharmaceuticals	726	859	823
Surgical	577	698	697
Total revenues	$3,412	$3,778	$3,665
Segment profit:			
Vision Care/Consumer Health Care	$ 579	$ 606	$ 627
Ophthalmic Pharmaceuticals	302	412	357
Surgical	18	75	78
Total segment profit	899	1,093	1,062
Corporate	(278)	(282)	(258)
Amortization of intangible assets	(323)	(348)	(377)
Other expense, net	(38)	(67)	(11)
Operating income	260	396	416
Interest income	3	1	—
Foreign exchange and other	27	2	1
Income before (provision for) benefit from income taxes	$ 290	$ 399	$ 417

Capital Expenditures

Capital expenditures paid by segment for the years 2020, 2019 and 2018 were as follows:

(in millions)	2020	2019	2018
Vision Care/Consumer Health Care	$209	$139	$ 75
Ophthalmic Pharmaceuticals	33	23	13
Surgical	11	18	13
	$253	$180	$101

Revenues by Segment and by Product Category

The top ten products represented 33%, 31% and 32% of total product sales for the years 2020, 2019 and 2018, respectively. Revenues by segment and product category were as follows:

	Vision Care/Consumer Health Care			Ophthalmic Pharmaceuticals			Surgical			Total		
(in millions)	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Pharmaceuticals	$ 11	$ 13	$ 12	$497	$611	$607	$—	$—	$—	$ 508	$ 624	$ 619
Devices	752	845	812	—	—	—	562	680	674	1,314	1,525	1,486
OTC	1,310	1,322	1,282	—	—	—	—	—	—	1,310	1,322	1,282
Branded and Other Generics	27	30	27	222	228	201	—	—	—	249	258	228
Other revenues	9	11	12	7	20	15	15	18	23	31	49	50
	$2,109	$2,221	$2,145	$726	$859	$823	$577	$698	$697	$3,412	$3,778	$3,665

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Geographic Information

Revenues are attributed to a geographic region based on the location of the customer for the years 2020, 2019 and 2018 were as follows:

(in millions)	2020	2019	2018
U.S. and Puerto Rico	$1,558	$1,632	$1,538
China	280	345	350
Japan	220	230	217
France	174	196	198
Germany	137	144	159
Russia	102	138	115
Canada	92	95	91
United Kingdom	84	107	104
Italy	67	80	79
Spain	66	81	78
South Korea	48	51	51
Poland	36	38	39
Sweden	35	31	33
Other	513	610	613
	$3,412	$3,778	$3,665

Long-lived assets consisting of property, plant and equipment, net of accumulated depreciation, are attributed to geographic regions based on their physical location as of December 31, 2020 and 2019 were as follows:

(in millions)	2020	2019
U.S. and Puerto Rico	$ 572	$506
Ireland	326	253
Germany	77	66
Canada	44	35
France	34	30
China	29	27
Italy	23	22
England	11	12
Other	48	46
	$1,164	$997

Major Customers

No individual customer accounted for 10% or more of total revenues.

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Common Shares

BAUSCH + LOMB

Bausch + Lomb Corporation

PRELIMINARY PROSPECTUS

Morgan Stanley
Goldman Sachs & Co. LLC
Citigroup
J.P. Morgan
Barclays
BofA Securities
Guggenheim Securities
Jefferies
Evercore ISI
Wells Fargo Securities
Deutsche Bank Securities
DNB Markets
HSBC
Truist Securities

, 2022

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PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

	Amount to Be Paid
SEC registration fee	$ 9,270
Canadian securities regulatory filing fees	15,826
FINRA filing fee	15,500
NYSE listing fee	*
TSX filing fee	*
Transfer agent's fees	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Blue Sky fees and expenses	*
Miscellaneous	*
Total	$ *

Each of the amounts set forth above, other than the registration fee, the Canadian securities regulatory filing fees, the FINRA filing fee, the NYSE listing fee and the TSX filing fee, is an estimate.

* To be completed by amendment.

Item 14. Indemnification of Directors and Officers

Under Section 124 of the CBCA, we may indemnify a present or former director or officer of the Company or another individual who acts or acted at our request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Company or other entity. We may not indemnify an individual unless the individual (i) acted honestly and in good faith with a view to the best interests of the Company, or, as the case may be, to the best interests of the other entity for which the individual acted as a director or officer or in a similar capacity at our request, and (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the conduct was lawful. The aforementioned individuals are entitled to the indemnification described above from us as a matter of right if they were not judged by the court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done and if the individual fulfills conditions (i) and (ii) above. We may advance moneys to a director, officer or other individual for the costs, charges and expenses of a proceeding; however, the individual shall repay the moneys if the individual does not fulfill the conditions set out in (i) and (ii) above. The indemnification or the advance of any moneys may be made in connection with a derivative action only with court approval and only if the conditions in (i) and (ii) above are met. Under the CBCA, we may purchase and maintain insurance for the benefit of any of the aforementioned individuals against any liability incurred by the individual in their capacity as a director or officer of the Company, or in their capacity as a director or officer, or similar capacity, of another entity, if the individual acted in such capacity at our request.

The Articles will also provide that, subject to any restrictions in the CBCA, we may indemnify any person. The Articles will further provide that, subject to the limitations contained in the CBCA, we may purchase and maintain insurance for the benefit of any person eligible for indemnification under the Articles.

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We maintain insurance for certain liabilities incurred by its directors and officers in their capacity with the Company or its subsidiaries The underwriting agreement(s) that we may enter into may provide for indemnification by any underwriters of the Company, its directors, its officers who sign the registration statement and the Company's controlling persons for some liabilities, including liabilities arising under the Securities Act.

In addition, we have entered, or will enter, into separate indemnity agreements with each of our directors and officers pursuant to which we agree to indemnify and hold harmless our directors and officers against any and all liability, loss, damage, cost or expense in accordance with the terms and conditions of the CBCA and our articles.

Item 15. Recent Sales of Unregistered Securities

We have not sold any securities, registered or otherwise, within the past three years, except as follows: On the date of our incorporation, we issued one share to our sole shareholder, BHC, which was made pursuant to the exemption from registration in Section 4(a)(2) of the Securities Act because the offer and issuance of the shares did not, or will not, involve a public offering. In connection with this offering, we will issue additional shares to the selling shareholder in connection with the Separation, which will be made pursuant to the exemption from registration in Section 4(a)(2) of the Securities Act because the offer and issuance of the shares will not involve a public offering. We have not otherwise sold any securities, registered or otherwise, within the past three years.

Item 16. Exhibits and Financial Statement Schedules

(a) The list of exhibits set forth under "Exhibit Index" at the end of this Registration Statement is incorporated by reference herein.

(b) Schedules are omitted because they are not required or because the information is provided elsewhere in the financial statements included in this registration statement.

Item 17. Undertakings

The undersigned registrant hereby undertakes:

(a) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions referenced in Item 14 of this registration statement, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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EXHIBIT INDEX

Exhibit Number	Description
1.1	Form of Underwriting Agreement
3 1	Form of Articles of Bausch + Lomb to be effective at closing
3.2	Form of Articles of Bausch + Lomb to be effective upon its continuance under the BCBCA
3.3	Form of By-laws of Bausch + Lomb to be effective at closing
4.1*	Form of Common Share Certificate
5.1	Opinion of Osler, Hoskin & Harcourt LLP
10.1*	Master Separation Agreement by and between Bausch Health Companies Inc. and Bausch + Lomb Corporation, dated as of , 2022
10.2*	Arrangement Agreement by and between Bausch Health Companies Inc. and Bausch + Lomb Corporation, dated as of , 2022
10.3*	Transition Services Agreement by and between Bausch Health Companies Inc. and Bausch + Lomb Corporation, dated as of , 2022
10.4*	Tax Matters Agreement by and between Bausch Health Companies Inc. and Bausch + Lomb Corporation, dated as of , 2022
10 5*	Registration Rights Agreement by and between Bausch Health Companies Inc and Bausch + Lomb Corporation, dated as of , 2022
10.6*	Employee Matters Agreement by and between Bausch Health Companies Inc. and Bausch + Lomb Corporation, dated as of , 2022
10.7*	Intellectual Property Matters Agreement by and between Bausch Health Companies Inc. and Bausch + Lomb Corporation, dated as of , 2022
10.8*	Real Estate Matters Agreement by and between Bausch Health Companies Inc. and Bausch + Lomb Corporation, dated as of , 2022
10.9*	Form of Bausch + Lomb Corporation 2022 Omnibus Incentive Plan
10.10*	Form of Credit Agreement among Bausch + Lomb Corporation, the guarantors party thereto, and each of the financial institutions named therein as lenders and issuing banks and , as Administrative Agent
10.11*	Form of Stock Option Grant Agreement under the Bausch + Lomb Corporation 2022 Omnibus Incentive Plan
10.12*	Form of Restricted Stock Unit Award Agreement under the Bausch + Lomb Corporation 2022 Omnibus Incentive Plan
10.13*	Form of Director Restricted Share Unit Award Agreement (Annual Grant) under the Bausch + Lomb Corporation 2022 Omnibus Incentive Plan
10.14*	Form of Director Restricted Share Unit Award Agreement (Elective Grant) under the Bausch + Lomb Corporation 2022 Omnibus Incentive Plan
10.15	Employment agreement with Joseph C. Papa, Chief Executive Officer and Chairman (incorporated herein by reference to Exhibit 10.1 to Bausch Health Companies Inc.'s Current Report on Form 8-K, filed on April 27, 2016)
10.16	Employment agreement with Sam A Eldessouky, Chief Financial Officer (incorporated herein by reference to Exhibit 10.1 to Bausch Health Companies Inc.'s Quarterly Report on Form 10-Q, filed on August 3, 2021)

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Exhibit Number	Description
10.17	Employment agreement with Christina M. Ackermann, Executive Vice President & General Counsel and President, Ophthalmic Pharmaceuticals (incorporated herein by reference to Exhibit 10.23 to Bausch Health Companies Inc.'s Annual Report on Form 10-K, filed on March 1, 2017)
10.18	Employment agreement with Joseph F. Gordon, President, Global Consumer, Surgical and Vision Care (incorporated herein by reference to Exhibit 10.2 to Bausch Health Companies Inc.'s Quarterly Report on Form 10-Q, filed on May 6, 2019)
10.19	Form of Indemnification Agreement
10.20*	Assignment, Assumption and Amendment Agreement between Bausch Health Companies Inc., Bausch + Lomb Corporation and Joseph Papa dated as of , 2022
10.21*	Assignment, Assumption and Amendment Agreement between Bausch Health Companies Inc., Bausch + Lomb Corporation and Sam A. Eldessouky dated as of , 2022
10.22*	Assignment, Assumption and Amendment Agreement between Bausch Health Companies Inc., Bausch + Lomb Corporation and Christina M. Ackermann dated as of , 2022
10.23*	Assignment, Assumption and Amendment Agreement between Bausch Health Companies Inc., Bausch + Lomb Corporation and Joseph F. Gordon dated as of , 2022
21.1	Subsidiaries of the registrant
23.1	Consent of PricewaterhouseCoopers LLP, an Independent Registered Public Accounting Firm
23.2	Consent of Osler, Hoskin & Harcourt LLP (included in Exhibit 5.1)
24.1	Power of Attorney (included on signature page)
99.1	Consent of Thomas W. Ross, Sr.
99.2	Consent of Nathalie Bernier
99.3	Consent of Andrew C. von Eschenbach
99.4	Consent of Sarah B. Kavanagh
99.5	Consent of John A. Paulson
99.6	Consent of Russel C. Robertson
99.7	Consent of Richard U. De Schutter

* To be filed by amendment.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Bridgewater, State of New Jersey, on the 13th day of January, 2022.

BAUSCH + LOMB CORPORATION

By: /s/ Joseph C. Papa
Name: Joseph C. Papa
Title: Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Joseph C. Papa and Sam A. Eldessouky and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and any and all additional registration statements pursuant to Rule 462(b) of the Securities Act of 1933, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agents full power and authority to do and perform each and every act in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them or their or his or her substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Joseph C Papa Joseph C. Papa	Chief Executive Officer and Chairman of the Board of Directors (principal executive officer)	January 13, 2022
/s/ Christina M. Ackermann Christina M. Ackermann	Executive Vice President & General Counsel and President, Ophthalmic Pharmaceuticals and Director	January 13, 2022
/s/ Sam A. Eldessouky Sam A Eldessouky	Chief Financial Officer (principal financial and accounting officer) and Director	January 13, 2022
/s/ Seana Carson Seana Carson	Senior Vice President - Legal and Director	January 13, 2022