Research and Development Expenses

Included in Research and development are costs related to our product development and quality assurance programs. Expenses related to product development include: employee compensation costs; overhead and occupancy costs; depreciation of research and development facilities and equipment; clinical trial costs; clinical manufacturing and scale-up costs; and other third-party development costs. Quality assurance are the costs incurred to meet evolving customer and regulatory standards and include: employee compensation costs; overhead and occupancy costs; amortization of software; and other third-party costs.

R&D expenses were $127 million and $115 million for the three months ended June 30, 2022 and 2021, respectively, an increase of $12 million, or 10%. R&D expenses as a percentage of Product sales were approximately 7% and 6% for the three months ended June 30, 2022 and 2021, respectively. The increase was primarily attributable to: (i) lower R&D spend in 2021, as certain R&D activities and clinical trials which were suspended in response to the COVID-19 pandemic in 2020 and did not normalize until later in 2021, as discussed below, and (ii) higher spend on certain Solta and Salix projects.

In 2020, due to the COVID-19 pandemic, certain of our R&D activities were limited and others, including new patient enrollments in clinical trials, were temporarily paused, as most trial sites were not able to accept new patients due to government-mandated shutdowns. During our third quarter of 2020, many of these trial sites began to reopen. During 2021, the pace of new patient enrollments and the increase these activities and related R&D spend gradually increased until they approached a normalized spend rate toward the end of 2021. As of the date of this filing, we have not had to make material changes to our development timelines and the pause in our clinical trials has not had a material impact on our operating results; however, a resurgence of COVID-19 could result in unanticipated delays in our ability to conduct new patient enrollments and create other delays which could have a significant adverse effect on our future operating results.

Amortization of Intangible Assets

Intangible assets with finite lives are amortized using the straight-line method over their estimated useful lives, generally 2 to 20 years. Management continually assesses the useful lives related to the Company's long-lived assets to reflect the most current assumptions.

Amortization of intangible assets was $302 million and $360 million for the three months ended June 30, 2022 and 2021, respectively, a decrease of $58 million. The decrease was primarily attributable to fully amortized intangible assets no longer being amortized in 2022.

Intangible assets, net includes finite-lived intangible assets related to our Xifaxan® branded products. The aggregate carrying value of our Xifaxan® intangible assets is approximately $2,963 million as of June 30, 2022, and have remaining useful lives of 66 months. Amortization expense related to these intangible assets is approximately $539 million annually. While we intend to appeal the Norwich Legal Decision (see "*Xifaxan® Paragraph IV Proceedings*" of Note 18, "LEGAL PROCEEDINGS" to our unaudited interim Consolidated Financial Statements), it is possible that this and other potential future developments:

- may adversely impact the estimated future cash flows of our Xifaxan® brands, which could result in an impairment of the value of these intangible assets in one or more future periods. Any such impairment could be material to the Company's results of operations in the period in which it occurs; and
- may result in shortened useful lives of the Xifaxan® intangible assets, which would increase amortization expense in future periods.

See Note 8, "INTANGIBLE ASSETS AND GOODWILL" to our unaudited interim Consolidated Financial Statements for further details related to our intangible assets.

Goodwill Impairments

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 Company 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.

Goodwill impairments were $83 million and $0 for the three months ended June 30, 2022 and 2021, respectively, an increase of $83 million.

The Company continues to monitor the market conditions impacting the Ortho Dermatologics reporting unit. During the three months ended June 30, 2022, increases in interest rates and, to a lesser extent, higher than expected inflation in the U.S. and other macroeconomic factors impacted key assumptions used to value the Ortho Dermatologics reporting unit at

March 31, 2022 (the last time goodwill of the Ortho Dermatologics reporting unit was tested). Given the limited headroom of the Ortho Dermatologics reporting unit as calculated on March 31, 2022, the Company believed that these facts and circumstances suggest the fair value of the Ortho Dermatologics reporting unit could be less than its carrying amount, and therefore a quantitative fair value test was performed for the reporting unit.

During the three months ended June 30, 2022, the quantitative fair value test utilized the Company's most recent cash flow projections as revised in the second quarter of 2022 which reflect current market conditions and current trends in business performance. Our latest discounted cash flow model for the Ortho Dermatologics reporting unit includes a range of potential outcomes for, among other matters, macroeconomic factors such as higher than expected inflation for many commodities, volatility in many of the equity markets and pressures on market interest rates. The quantitative fair value test utilized a long-term growth rate of 1% and a discount rate of 10%. The discount rate has increased 1% since the assessment performed at March 31, 2022, as a result of changes in current macroeconomic conditions, including an increase in the risk free rate during the three months ended June 30, 2022. Based on the quantitative fair value test, the carrying value of the Ortho Dermatologics reporting unit exceeded its fair value at June 30, 2022, and we recognized a goodwill impairment of $83 million.

Approximately 80% of our Salix segment revenues is derived from our Xifaxan® product line. While we intend to appeal the Norwich Legal Decision (see "*Xifaxan® Paragraph IV Proceedings*" of Note 18, "LEGAL PROCEEDINGS" to our unaudited interim Consolidated Financial Statements), it is possible that this and other potential future developments may adversely impact the estimated fair value of the Salix segment, in one or more future periods. Any such impairment could be material to the Company's results of operations in the period in which it occurs.

See Note 8, "INTANGIBLE ASSETS AND GOODWILL" to our unaudited interim Consolidated Financial Statements for further details related to our goodwill.

Asset Impairments, Including Loss on Assets Held for Sale

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 Asset impairments in the Consolidated Statement of Operations. The Company 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, including loss on assets held for sale were $6 million and $47 million for the three months ended June 30, 2022 and 2021, respectively, a decrease of $41 million. Asset impairments, including loss on assets held for sale for the three months ended June 30, 2022 of $6 million was primarily related to changes in forecasted revenues and production costs of a neurology product. Asset impairments, including loss on assets held for sale for the three months ended June 30, 2021 of $47 million include: (i) impairments of $25 million due to decreases in forecasted sales of a certain product line in our Diversified Products segment, (ii) an adjustment of $20 million to the loss of assets held for sale in connection with the Amoun Sale and (iii) impairments of $2 million, in aggregate, related to the discontinuance of certain product lines.

See Note 8, "INTANGIBLE ASSETS AND GOODWILL" to our unaudited interim Consolidated Financial Statements for further details related to our intangible assets.

Restructuring, Integration, Separation and IPO Costs

Restructuring, integration separation and IPO costs were $35 million and $9 million for the three months ended June 30, 2022 and 2021, respectively, an increase of $26 million.

Restructuring and Integration Costs

The Company evaluates opportunities to improve its operating results and implement 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 and include expenses associated with: (i) reducing headcount, (ii) eliminating real estate costs associated with unused or under-utilized facilities and (iii) implementing contribution margin improvement and other cost reduction initiatives.

Restructuring and integration costs were $22 million and $3 million for the three months ended June 30, 2022 and 2021, respectively. The Company continues to evaluate opportunities to streamline its operations and

identify additional cost savings globally. Although a specific plan does not exist at this time, the Company may identify and take additional exit and cost-rationalization restructuring actions in the future, the costs of which could be material.

Separation and IPO Costs

The Company has incurred, and expects to continue to incur costs associated with activities to effectuate the B+L Separation. The Company also incurred costs associated with activities to effectuate the Solta IPO, which was suspended in June 2022. These B+L Separation and Solta IPO activities include: (i) separating the Bausch + Lomb and Solta Medical businesses from the remainder of the Company, (ii) completing the B+L IPO and preparing for the suspended Solta IPO and (iii) completing the actions necessary for Bausch + Lomb to become an independent publicly traded entity. Separation and IPO costs are incremental costs directly related to the ongoing B+L Separation and the suspended Solta IPO and include, but are not limited to: (i) legal, audit and advisory fees, (ii) talent acquisition costs and (iii) costs associated with establishing a new board of directors and related board committees for the Bausch + Lomb and Solta Medical entities. Separation and IPO costs were $13 million and $6 million for the three months ended June 30, 2022 and 2021, respectively. The extent and timing of future charges of these costs to complete the B+L Separation cannot be reasonably estimated at this time and could be material.

See Note 5, "RESTRUCTURING, INTEGRATION, SEPARATION AND IPO COSTS" to our unaudited interim Consolidated Financial Statements for further details regarding these actions.

Other expense, net

Other expense, net for the three months ended June 30, 2022 and 2021 consists of the following:

	Three Months Ended June 30,	
(in millions)	**2022**	**2021**
Litigation and other matters	$ 8	$ 532
Acquisition-related contingent consideration	(5)	9
Gain on sale of assets, net	(3)	—
Acquired in-process research and development costs	1	1
Other, Net	(1)	—
	$ —	$ 542

Non-Operating Income and Expense

Interest Expense

Interest expense primarily consists of interest payments due, amortization of debt premiums, discounts and deferred issuance costs on indebtedness under our credit facilities and notes and the amortization of amounts excluded from the assessment of hedge effectiveness over the term of the Company's cross-currency swaps during 2021. In November 2021, we entered into a transaction to unwind our cross-currency swaps. In July 2022, we entered into new cross-currency swaps with aggregate notional amounts of $1,000 million.

Interest expense was $410 million and $364 million, and included non-cash amortization and write-offs of debt premiums, discounts and deferred issuance costs of $50 million and $12 million, for the three months ended June 30, 2022 and 2021, respectively. Interest expense for the three months ended June 30, 2022 increased $46 million, or 13%, as compared to the three months ended June 30, 2021, primarily attributable to the higher interest rates partially offset by the impact of lower outstanding debt balances. The weighted average stated rate of interest as of June 30, 2022 and 2021 was 6.34% and 5.85%, respectively.

See Note 10, "FINANCING ARRANGEMENTS" to our unaudited interim Consolidated Financial Statements for further details.

Gain (Loss) on Extinguishment of Debt

Gain (loss) on extinguishment of debt represents the differences between the amounts paid to settle extinguished debts and the carrying value of the related extinguished debt. The gain on extinguishment of debt was $113 million for the three months ended June 30, 2022 as compared to a loss on extinguishment of debt of $45 million for the three months ended June 30, 2021.

The gain on extinguishment of debt for the three months ended June 30, 2022 includes $176 million of gains associated with the early retirement of senior unsecured notes as discussed below, partially offset by $63 million of losses associated with the refinancing and modification to certain debt obligations completed in connection with the B+L IPO, as discussed in further detail below, under "— Liquidity and Capital Resources — Liquidity and Debt" and represents the differences between the amounts paid to settle the extinguished debt and its carrying value.

During June 2022, through a series of transactions we repurchased and retired, outstanding senior unsecured notes with an aggregate par value of $481 million in the open market for approximately $300 million using: (i) the net proceeds from the partial exercise of the over-allotment option in the B+L IPO by the underwriters, after deducting underwriting commissions, (ii) amounts available under our revolving credit facility and (iii) cash on hand. The senior unsecured notes retired had maturities of January 2028 through February 2031 and had a weighted average interest rate of approximately 5.35%. As a result of these transactions, we recognized a gain on the extinguishment of debt of approximately $176 million, net of write-offs of debt premiums, discounts and deferred issuance costs, representing the differences between the amounts paid to retire the senior unsecured notes and their carrying value.

The loss on extinguishment of debt of $45 million for the three months ended June 30, 2021 is primarily associated with refinancing transactions during the three months ended June 30, 2021 and represents the differences between the amounts paid to settle the extinguished debt and its carrying value.

See Note 10, "FINANCING ARRANGEMENTS" to our unaudited interim Consolidated Financial Statements for further details.

Foreign Exchange and Other

Foreign exchange and other primarily includes: (i) translation gains/losses on intercompany loans and third-party liabilities and (ii) the gain/loss due to foreign currency exchange contracts. Foreign exchange and other was a gain of $4 million and $7 million for the three months ended June 30, 2022 and 2021, respectively, an unfavorable net change of $3 million.

Income Taxes

Provision for income taxes was $10 million for the three months ended June 30, 2022 and compares to a benefit for income taxes of $77 million for the three months ended June 30, 2021, an unfavorable change of $87 million.

Our effective income tax rate for the three months ended June 30, 2022 differs from the statutory Canadian income tax rate primarily due to: (i) the recording of valuation allowance on entities for which no tax benefit of losses is expected, (ii) the tax benefit generated from our annualized mix of earnings by jurisdiction and (iii) the discrete treatment of certain tax matters, primarily related to: (a) adjustments for book to income tax return provisions, (b) a tax deduction for stock compensation and (c) changes in uncertain tax positions.

Our effective income tax rate for the three months ended June 30, 2021 differs from the statutory Canadian income tax rate primarily due to: (i) the tax benefit generated from our annualized mix of earnings by jurisdiction, (ii) the recording of valuation allowance on entities for which no tax benefit of losses is expected and (iii) the discrete treatment of certain tax matters, primarily related to: (a) potential and recognized withholding taxes on intercompany dividends, (b) adjustments for book to income tax return provisions, (c) tax deduction for stock compensation and (d) changes in uncertain tax positions.

See Note 16, "INCOME TAXES" to our unaudited interim Consolidated Financial Statements for further details.

Reportable Segment Revenues and Profits

The following is a brief description of the Company's segments:

- ***The Salix segment*** consists of sales in the U.S. of GI products. Sales of the Xifaxan® product line represented 81% and 80% of the Salix segment's revenues for the three and six months ended June 30, 2022, respectively.
- ***The International segment*** consists of sales, with the exception of sales of Bausch + Lomb products and Solta aesthetic medical devices, outside the U.S. and Puerto Rico of branded pharmaceutical

products, branded generic pharmaceutical products and OTC products.

- ***The Diversified Products segment*** consists of sales in the U.S. of: (i) pharmaceutical products in the areas of neurology and certain other therapeutic classes, (ii) generic products, (iii) Ortho Dermatologics (dermatological) products and (iv) dentistry products.
- ***The Solta Medical segment*** consists of global sales of Solta aesthetic medical devices.

- ***The Bausch + Lomb segment*** consists of global sales of Bausch + Lomb Vision Care, Surgical and Ophthalmic Pharmaceuticals products.

Segment profit is based on operating income after the elimination of intercompany transactions, including between Bausch + Lomb and other segments. Certain costs, such as Amortization of intangible assets, Asset impairments, Goodwill impairments, Restructuring, integration, separation and IPO costs and Other (income) expense, net, are not included in the measure of segment profit, as management excludes these items in assessing segment financial performance. See Note 19, "SEGMENT INFORMATION" to our unaudited interim Consolidated Financial Statements for a reconciliation of segment profit to Loss before income taxes.

The following table presents segment revenues, segment revenues as a percentage of total revenues, and the period-over-period changes in segment revenues for the three months ended June 30, 2022 and 2021. The following table also presents segment profits, segment profits as a percentage of segment revenues and the period-over-period changes in segment profits for the three months ended June 30, 2022 and 2021.

	Three Months Ended June 30,					
	2022		2021		Change	
(in millions)	Amount	Pct.	Amount	Pct.	Amount	Pct.
Segment Revenues						
Salix	$ 501	25 %	$ 516	25 %	$ (15)	(3)%
International	233	12 %	313	15 %	(80)	(26)%
Diversified Products	235	12 %	264	13 %	(29)	(11)%
Solta Medical	57	3 %	73	3 %	(16)	(22)%
Bausch + Lomb	941	48 %	934	44 %	7	1 %
Total revenues	$ 1,967	100 %	$ 2,100	100 %	$ (133)	(6)%
Segment Profits / Segment Profit Margins						
Salix	$ 354	71 %	$ 370	72 %	$ (16)	(4)%
International	66	28 %	103	33 %	(37)	(36)%
Diversified Products	141	60 %	162	61 %	(21)	(13)%
Solta Medical	20	35 %	39	53 %	(19)	(49)%
Bausch + Lomb	208	22 %	213	23 %	(5)	(2)%
Total segment profits	$ 789	40 %	$ 887	42 %	$ (98)	(11)%

Organic Revenues and Organic Growth Rates (non-GAAP)

Organic revenue and organic revenue change are non-GAAP measures. Non-GAAP measures are not standardized measures under the financial reporting framework used to prepare the Company's financial statements and might not be comparable to similar financial measures disclosed by other issuers.

Organic revenue and change in organic revenue (non-GAAP), are defined as GAAP Revenue and changes in GAAP revenue (the most directly comparable GAAP financial measures), respectively, adjusted for changes in foreign currency exchange rates (if applicable) and excluding the impact of recent acquisitions, divestitures and discontinuations, as defined further below. Organic revenue (non-GAAP) is impacted by changes in product volumes and price. The price component is made up of two key drivers: (i) changes in product gross selling price and (ii) changes in sales deductions. The Company uses organic revenue (non-GAAP) and organic revenue changes (non-GAAP) to assess performance of its reportable segments, and the Company in total without the impact of foreign currency exchange fluctuations and recent acquisitions, divestitures and product discontinuations. The Company believes that providing these measures is useful to investors as they provide a supplemental period-to-period comparison.

The adjustments to GAAP Revenue and changes in GAAP revenue to determine Organic Revenue (non-GAAP) and changes in Organic Revenue (non-GAAP) are as follows:

Foreign currency exchange rates: Although changes in foreign currency exchange rates are part of our business, they are not within management's control. Changes in foreign currency exchange rates, however, can mask positive or negative trends in the underlying business performance. The impact for changes in foreign

currency exchange rates is determined as the difference in the current period reported revenues at their current period currency exchange rates and the current period reported revenues revalued using the monthly average currency exchange rates during the comparable prior period.

Acquisitions, divestitures and discontinuations: In order to present period-over-period organic revenues (non-GAAP) on a comparable basis, revenues associated with acquisitions, divestitures and discontinuations are adjusted to include only revenues from those businesses and assets owned during both periods. Accordingly, organic revenue growth (non-GAAP) excludes from the current period, all revenues attributable to each acquisition for twelve months subsequent to the day of acquisition, as there are no revenues from those businesses and assets included in the comparable prior period. Organic revenue growth (non-GAAP) excludes from the prior period (but not the current period), all revenues attributable to each divestiture and discontinuance during the twelve months prior to the day of divestiture or discontinuance, as there are no revenues from those businesses and assets included in the comparable current period. There were no acquisitions during the twelve month period ended June 30, 2022.

The following table presents a reconciliation of GAAP revenues to organic revenues (non-GAAP) and the period-over-period changes in organic revenue (non-GAAP) for the three months ended June 30, 2022 and 2021 by segment.

	Three Months Ended June 30, 2022			Three Months Ended June 30, 2021			Change in Organic Revenue (Non-GAAP)	
(in millions)	Revenue as Reported	Changes in Exchange Rates	Organic Revenue (Non-GAAP)	Revenue as Reported	Divestitures and Discontinuations	Organic Revenue (Non-GAAP)	Amount	Pct.
Salix	$ 501	$ —	$ 501	$ 516	$ —	$ 516	$ (15)	(3)%
International	233	15	248	313	(71)	242	6	2 %
Diversified Products	235	—	235	264	—	264	(29)	(11)%
Solta Medical	57	—	57	73	—	73	(16)	(22)%
Bausch + Lomb	941	46	987	934	(3)	931	56	6 %
Total	$ 1,967	$ 61	$ 2,028	$ 2,100	$ (74)	$ 2,026	$ 2	— %

Salix Segment:

Salix Segment Revenue

The Salix segment includes our Xifaxan® product line. Revenues from our Xifaxan® product line accounted for approximately 81% and 78% of the Salix segment revenues for the three months ended June 30, 2022 and 2021, respectively. No other single product group represents 10% or more of the Salix segment product sales. Salix segment revenue for the three months ended June 30, 2022 and 2021 was $501 million and $516 million, respectively, a decrease of $15 million, or 3%. The decrease is primarily driven by a decrease in volumes of $20 million primarily attributable to: (i) unfavorable inventory balancing of Xifaxan® by our wholesalers and (ii) the impact of generic competition as certain products, such as Apriso®, lost exclusivity, partially offset by an increase in net realized pricing of $5 million, primarily driven by Xifaxan®.

Salix Segment Profit

The Salix segment profit for the three months ended June 30, 2022 and 2021 was $354 million and $370 million, respectively, a decrease of $16 million, or 4%. The decrease was primarily driven by: (i) a decrease in contribution primarily attributable to the net decrease in revenues, as previously discussed, and (ii) higher advertising and promotion expenses primarily associated with Xifaxan® partially offset by a decrease in litigation costs and an increase in R&D.

International Segment:

International Segment Revenue

The International segment has a diversified product line with no single product group representing 10% or more of its product sales. The International segment revenue was $233 million and $313 million for the three months ended June 30, 2022 and 2021, respectively, a decrease of $80 million, or 26%. The decrease was primarily attributable to: (i) the impact of divestitures and discontinuations of $71 million, primarily attributable to our divestiture of Amoun on July 26, 2021 and (ii) the unfavorable impact of foreign currencies of $15 million, primarily in Europe. These decreases were partially offset by an increase in volumes of $1 million, which included charges of $11 million representing a change in estimated future returns in one market, driven by lower estimated demand following the easing of local COVID-19 lockdown restrictions as well as a change of distributors, and an increase in net realized pricing of $7 million.

International Segment Profit

The International segment profit for the three months ended June 30, 2022 and 2021 was $66 million and $103 million, respectively, a decrease of $37 million, or 36%. The decrease was primarily attributable to: (i) our divestiture of Amoun on July 26, 2021 and (ii) lower contribution primarily attributable to the unfavorable impact of foreign currencies and by higher manufacturing variances, primarily as a result of inflationary pressures related to certain manufacturing costs. These decreases were partially offset by lower selling expenses.

Diversified Products Segment:

Diversified Products Segment Revenue

The Diversified Products segment revenue for the three months ended June 30, 2022 and 2021 was $235 million and $264 million, respectively, a decrease of $29 million, or 11%. The decrease was primarily driven by: (i) a decrease in volume of $17 million and (ii) a decrease in net realized pricing of $12 million, primarily in our Neurology and Other business and Ortho Dermatologics business. The decrease in volume was primarily attributable to our Neurology and Other business primarily due to: (i) unfavorable inventory balancing of our Wellbutrin® product by our wholesalers and (ii) lower demand for Ativan® and Mysoline®.

Diversified Products Segment Profit

The Diversified Products segment profit for the three months ended June 30, 2022 and 2021 was $141 million and $162 million, respectively, a decrease of $21 million, or 13%. The decrease was primarily driven by the decrease in contribution primarily attributable to the net decrease in revenues, as previously discussed, partially offset by lower general and administrative expenses, primarily due to lower litigation costs.

Solta Medical Segment:

Solta Medical Segment Revenue

The Solta Medical segment includes the Thermage® product line, which accounted for approximately 71% of the Solta segment revenues for the three months ended June 30, 2022. No other single product group represents 10% or more of the Solta segment revenues. The Solta Medical segment revenue for the three months ended June 30, 2022 and 2021 was $57 million and $73 million, respectively, a decrease of $16 million, or 22%. The decrease was primarily attributable to a decrease in volume of $20 million, primarily driven by the impact of the COVID-19 pandemic in China, partially offset by an increase in net realized pricing of $4 million.

Solta Medical Segment Profit

The Solta Medical segment profit for the three months ended June 30, 2022 and 2021 was $20 million and $39 million, respectively, a decrease of $19 million, or 49%. The decrease was primarily driven by: (i) the decrease in contribution primarily driven by the decrease in revenues, as previously discussed, and (ii) an increase in R&D.

Bausch + Lomb Segment:

Bausch + Lomb Segment Revenue

The Bausch + Lomb segment has a diversified product line with no single product group representing 10% or more of its product sales. The Bausch + Lomb segment revenue was $941 million and $934 million for the three months ended June 30, 2022 and 2021, respectively, an increase of $7 million, or 1%. The increase was attributable to increases in volumes of $41 million and net realized pricing of $15 million. The increase in volume was due to: (i) the Vision Care business, primarily attributable to: (a) increased demand for certain consumer eye health products including Lumify®, Biotrue® and PreserVision® and (b) the impact of a quality issue in 2021 related to a third-party supplier of sterilization services for certain lens care solution bottles and caps, as previously discussed, and (ii) increased demand of consumables and intraocular lenses within our Surgical business, partially offset by: (i) a decrease in volume in our international contact lens business, primarily driven by the impact of the COVID-19 pandemic in China and (ii) a decrease in volume in our U.S. Ophthalmic Pharmaceuticals business, primarily driven by the impact of generic competition on certain products that had previously lost exclusivity, such as Lotemax® Gel, Lotemax® Suspension and Bepreve®. The overall increases in revenues and net realized pricing were partially offset by: (i) the unfavorable impact of foreign currencies across all our international businesses of $46 million primarily in Europe and Asia and (ii) the impact of divestitures and discontinuations of $3 million, related to the discontinuation of certain products.

Bausch + Lomb Segment Profit

The Bausch + Lomb segment profit for the three months ended June 30, 2022 and 2021 was $208 million and $213 million, respectively, a decrease of $5 million, or 2%. The decrease was primarily driven by: (i) higher SG&A expenses within U.S. Consumer and Surgical, (ii) the unfavorable impact of foreign currencies and (iii) higher manufacturing variances, primarily as a result of inflationary pressures related to certain manufacturing costs, partially offset by the impact of manufacturing variances incurred in 2021 related to a quality issue at a third-

party supplier, as previously discussed. These decreases were partially offset by the increase in revenues, as previously discussed.

Six Months Ended June 30, 2022 Compared to the Six Months Ended June 30, 2021

Revenues

Our revenue was $3,885 million and $4,127 million for the six months ended June 30, 2022 and 2021, respectively, a decrease of $242 million, or 6%. The decrease was due to: (i) the impact of divestitures and discontinuations of $146 million, primarily attributable to our divestiture of Amoun on July 26, 2021, (ii) a decrease in volumes of $73 million primarily in our Diversified, Salix and Solta segments partially offset by an increase in volumes in our Bausch + Lomb segment and (iii) the unfavorable impact of foreign currencies of $102 million primarily in Europe and Asia. These decreases were partially offset by an increase in net realized pricing of $79 million.

The changes in our segment revenues and segment profits for the six months ended June 30, 2022, are discussed in further detail in the respective subsequent section " — Reportable Segment Revenues and Profits".

Cash Discounts and Allowances, Chargebacks and Distribution Fees

Provisions recorded to reduce gross product sales to net product sales and revenues for the six months ended June 30, 2022 and 2021 were as follows:

	Six Months Ended June 30,			
	2022		2021	
(in millions)	Amount	Pct.	Amount	Pct.
Gross product sales	$ 6,555	100.0 %	$ 6,792	100.0 %
Provisions to reduce gross product sales to net product sales				
Discounts and allowances	278	4.2 %	306	4.5 %
Returns	60	0.9 %	77	1.1 %
Rebates	1,236	18.9 %	1,227	18.1 %
Chargebacks	1,028	15.7 %	993	14.6 %
Distribution fees	108	1.6 %	110	1.6 %
Total provisions	2,710	41.3 %	2,713	39.9 %
Net product sales	3,845	58.7 %	4,079	60.1 %
Other revenues	40		48	
Revenues	$ 3,885		$ 4,127	

Cash discounts and allowances, returns, rebates, chargebacks and distribution fees as a percentage of gross product sales were 41.3% and 39.9% for the six months ended June 30, 2022 and 2021, respectively, an increase of 1.4 percentage points and includes:

- discounts and allowances as a percentage of gross product sales were lower primarily due to lower gross product sales for certain generic products, such as Timoptic® AG, Apriso® AG, Glumetza® AG and Migranal® AG;
- returns as a percentage of gross product sales were lower primarily due to: (i) the result of the Company's improving return experience and (ii) the favorable year over year impact due to the recall of certain Bausch + Lomb consumer products as a result of a quality issue at a third-party supplier during the three months ended June 30, 2021, as previously discussed. Over the last several years, the Company has increased its focus on maximizing operational efficiencies and continues to take actions to reduce product returns, including, but not limited to: (i) monitoring and reducing customer inventory levels, (ii) instituting disciplined pricing policies and (iii) improving contracting. These actions have had the effect of improving the sales return experience. These factors driving our lower return experience were partially offset by charges in our International segment of approximately $11 million during the six months ended June 30, 2022, to reflect a change in estimated future returns in one market, driven by lower estimated demand following the easing of local COVID-19 lockdown restrictions and a change of distributors;
- rebates as a percentage of gross product sales were higher primarily due the impact of an increase in gross product sales of certain branded products with higher rebate rates, such as Jublia®, Aplenzin®

Arazlo® and Prolensa®, partially offset by lower gross product sales and lower rebate rates for certain branded products such as Wellbutrin®, Retin-A® Microsphere .06% and Retin-A® Microsphere .08%, and the generic product Glumetza® AG;

- chargebacks as a percentage of gross product sales were higher primarily due to higher chargeback rates for certain products such as Glumetza® SLX, Ofloxacin and Xifaxan®, partially offset by lower chargeback rates and gross product sales for certain generic products such as Glumetza® AG and Targretin® AG and certain branded products such as Mysoline® and Ativan®; and
- distribution service fees as a percentage of gross product sales were unchanged. Price appreciation credits are offset against the distribution service fees when due to wholesalers. Price appreciation credits were $0 and $1 million for the six months ended June 30, 2022 and 2021, respectively.

Expenses

Cost of Goods Sold (excluding amortization and impairments of intangible assets)

Cost of goods sold was $1,113 million and $1,168 million for the six months ended June 30, 2022 and 2021, respectively, a decrease of $55 million, or 5%. The decrease was primarily driven by: (i) the impact of the divestiture of Amoun on July 26, 2021, (ii) the net decrease in volumes, as previously discussed, and (iii) the favorable impact of foreign currencies. These decreases were partially offset by higher manufacturing variances, primarily as a result of inflationary pressures related to certain manufacturing costs, partially offset by the impact of manufacturing variances incurred in 2021 related to a quality issue at a third-party supplier, as previously discussed.

Cost of goods sold as a percentage of product sales revenue was 28.9% and 28.6% for the six months ended June 30, 2022 and 2021, respectively, an increase of 0.3 percentage points. Costs of goods sold as a percentage of Product sales revenue was unfavorably impacted by higher manufacturing variances as previously discussed, partially offset by the increase in net realized pricing, as previously discussed.

Selling, General and Administrative Expenses

SG&A expenses were $1,298 million and $1,291 million for the six months ended June 30, 2022 and 2021, respectively, an increase of $7 million, or 1%. The decrease was primarily attributable to: (i) higher selling, advertising and promotion expenses and (ii) an increase in separation-related and IPO-related costs partially offset by: (i) the impact of our divestiture of Amoun on July 26, 2021 and (ii) the favorable impact of foreign currencies.

Research and Development

R&D expenses were $254 million and $227 million for the six months ended June 30, 2022 and 2021, respectively, an increase of $27 million, or 12%. R&D expenses as a percentage of Product sales were approximately 7% and 6% for the six months ended June 30, 2022 and 2021, respectively. The increase was primarily due to: (i) the result of lower R&D spend in early 2021 as certain R&D activities and clinical trials which were suspended in response to the COVID-19 pandemic in 2020 and did not normalize until later in 2021, as previously discussed, and (ii) higher spend on certain Bausch + Lomb and Salix projects

Amortization of Intangible Assets

Amortization of intangible assets was $612 million and $717 million for the six months ended June 30, 2022 and 2021, respectively, a decrease of $105 million, or 15%. The decrease was primarily attributable to fully amortized intangible assets no longer being amortized in 2022.

Intangible assets, net includes finite-lived intangible assets related to our Xifaxan® branded products. The aggregate carrying value of our Xifaxan® intangible assets is approximately $2,963 million as of June 30, 2022, and have remaining useful lives of 66 months. Amortization expense related to these intangible assets is approximately $539 million annually. While we intend to appeal the Norwich Legal Decision (see "*Xifaxan® Paragraph IV Proceedings*" of Note 18, "LEGAL PROCEEDINGS" to our unaudited interim Consolidated Financial Statements), it is possible that this and other potential future developments:

- may adversely impact the estimated future cash flows of our Xifaxan® brands, which could result in an impairment of the value of these intangible assets in one or more future periods. Any such impairment could be material to the Company's results of operations in the period in which it occurs; and
- may result in shortened useful lives of the Xifaxan® intangible assets, which would increase amortization expense in future periods.

See Note 8, "INTANGIBLE ASSETS AND GOODWILL" to our unaudited interim Consolidated Financial Statements for further details related to our intangible assets.

Goodwill Impairments

Goodwill impairments were $83 million for the six months ended June 2022, related to our Ortho Dermatologics unit as previously discussed, and for the six months ended June 30, 2021 were $469 million.

As previously discussed, the Company believed that increases in interest rates and other macroeconomic factors during the three months ended June 30, 2022, impacted key assumptions used to value the Ortho Dermatologics reporting unit at March 31, 2022 (the last time goodwill of the Ortho Dermatologics reporting unit was tested) and therefore the Company performed a quantitative fair value test for the reporting unit.

During the three months ended June 30, 2022, the quantitative fair value test utilized the Company's most recent cash flow projections as revised in the second quarter of 2022 which reflect current market conditions and current trends in business performance. Our latest discounted cash flow model for the Ortho Dermatologics reporting unit includes a range of potential outcomes for, among other matters, macroeconomic factors such as higher than expected inflation for many commodities, volatility in many of the equity markets and pressures on market interest rates. The quantitative fair value test utilized a long-term growth rate of 1% and a discount rate of 10%. The discount rate has increased 1% since the assessment performed at March 31, 2022, as a result of changes in current macroeconomic conditions, including an increase in the risk free rate during the three months ended June 30, 2022. Based on the quantitative fair value test, the carrying value of the Ortho Dermatologics reporting unit exceeded its fair value at June 30, 2022, and we recognized a goodwill impairment of $83 million.

During the three months ended March 31, 2021, management identified launches of certain Ortho Dermatologics products which were not going to achieve their trajectories as forecasted once the social restrictions associated with the COVID-19 pandemic began to ease in the U.S. and offices of health care professionals could reopen. In addition, insurance coverage pressures within the U.S. continued to persist limiting patient access to topical acne and psoriasis products. In light of these developments, during the first quarter of 2021, the Company began taking steps to: (i) redirect its R&D spend to eliminate projects it had identified as high cost and high risk, (ii) redirect a portion of its marketing and product development outside the U.S. to geographies where there is better patient access and (iii) reduce its cost structure to be more competitive. As a result, during the three months ended March 31, 2021, the Company revised its long-term forecasts for the Ortho Dermatologics reporting unit. Management believed that these events were indicators that there was less headroom as of March 31, 2021 as compared to the headroom calculated on the date goodwill was last tested for impairment (October 1, 2020). Therefore, a quantitative fair value test for the Ortho Dermatologics reporting unit was performed. The quantitative fair value test utilized the Company's most recent cash flow projections as revised in the first quarter of 2021 to reflect the business changes previously discussed, including a range of potential outcomes, along with a long-term growth rate of 1.0% and a range of discount rates between 9.0% and 10.0%. Based on the quantitative fair value test, the carrying value of the Ortho Dermatologics reporting unit exceeded its fair value at March 31, 2021, and the Company recognized a goodwill impairment of $469 million.

Approximately 80% of our Salix segment revenues is derived from our Xifaxan® product line. While we intend to appeal the Norwich Legal Decision (see "*Xifaxan® Paragraph IV Proceedings*" of Note 18, "LEGAL PROCEEDINGS" to our unaudited interim Consolidated Financial Statements), it is possible that this and other potential future developments may adversely impact the estimated fair value of the Salix segment, in one or more

future periods. Any such impairment could be material to the Company's results of operations in the period in which it occurs.

See Note 8, "INTANGIBLE ASSETS AND GOODWILL" to our unaudited interim Consolidated Financial Statements for further details related to our goodwill.

Asset Impairments, Including Loss on Assets Held for Sale

Asset impairments, including loss on assets held for sale were $14 million and $195 million for the six months ended June 30, 2022 and 2021, respectively, a decrease of $181 million. Asset impairments, including loss on assets held for sale for the six months ended June 30, 2022 includes: (i) impairments of $10 million, in aggregate, due to decreases in forecasted sales of certain product lines and (ii) impairments of $4 million, in aggregate, related to the discontinuance of certain product lines. Asset impairments, including loss on assets held for sale for the six months ended June 30, 2021 include: (i) impairments of $96 million, in aggregate, due to decreases in forecasted sales of certain product lines, (ii) an adjustment of $88 million to the loss on assets held for sale in connection with the Amoun Sale and (iii) impairments of $11 million, in aggregate, related to the discontinuance of certain product lines.

See Note 8, "INTANGIBLE ASSETS AND GOODWILL" to our unaudited interim Consolidated Financial Statements for further details related to our intangible assets.

Restructuring, Integration, Separation and IPO Costs

Restructuring, integration, separation and IPO costs were $48 million and $21 million for the six months ended June 30, 2022 and 2021, respectively, an increase of $27 million.

Restructuring and Integration Costs

Restructuring and integration costs were $25 million and $6 million for the six months ended June 30, 2022 and 2021, respectively, an increase of $19 million. The Company continues to evaluate opportunities to streamline its operations and identify additional cost savings globally. Although a specific plan does not exist at this time, the Company may identify and take additional exit and cost-rationalization restructuring actions in the future, the costs of which could be material.

Separation and IPO Costs

Separation and IPO costs were $23 million and $15 million for the six months ended June 30, 2022 and 2021, respectively. The extent and timing of future charges of these costs to complete the B+L Separation cannot be reasonably estimated at this time and could be material.

See Note 5, "RESTRUCTURING, INTEGRATION, SEPARATION AND IPO COSTS" to our unaudited interim Consolidated Financial Statements for further details regarding these actions.

Other Expense, Net

Other expense, net for the six months ended June 30, 2022 and 2021 consists of the following:

	Six Months Ended June 30,	
(in millions)	**2022**	**2021**
Litigation and other matters	$ 7	$ 532
Acquisition-related contingent consideration	(2)	—
Gain on sale of assets, net	(3)	(23)
Acquired in-process research and development costs	1	3
Other, Net	$ (1)	$ —
	$ 2	$ 512

Non-Operating Income and Expense

Interest Expense

Interest expense was $772 million and $732 million and included non-cash amortization and write-offs of debt premiums, discounts and deferred issuance costs of $64 million and $25 million for the six months ended June 30, 2022 and 2021, respectively. Interest expense increased $40 million, or 5%, primarily due to higher interest rates partially offset by lower outstanding principal balances. The weighted average stated rate of interest as of June 30, 2022 and 2021 was 6.34% and 5.85%, respectively.

Gain (Loss) on Extinguishment of Debt

The gain on extinguishment of debt was $113 million for the six months ended June 30, 2022 as compared to a loss on extinguishment of debt of $50 million for the six months ended June 30, 2021.

The gain on extinguishment of debt for the six months ended June 30, 2022 includes $176 million of gains associated with the early retirement of senior unsecured notes as previously discussed, partially offset by $63 million of losses associated with the refinancing and modification to certain debt obligations completed in connection with the B+L IPO, as discussed in further detail below, under "— Liquidity and Capital Resources — Liquidity and Debt" and represents the differences between the amounts paid to settle the extinguished debt and its carrying value.

The loss on extinguishment of debt of $50 million for the six months ended June 30, 2021 is primarily associated with refinancing transactions during the six months ended June 30, 2021 and represents the differences between the amounts paid to settle the extinguished debt and its carrying value.

See Note 10, "FINANCING ARRANGEMENTS" to our unaudited interim Consolidated Financial Statements for further details.

Foreign Exchange and Other

Foreign exchange and other was a loss of $3 million and a gain of $8 million for the six months ended June 30, 2022 and 2021, respectively, an unfavorable net change of $11 million primarily due to: (i) translation gains/losses on intercompany loans and third-party liabilities and (ii) the gain/loss due to foreign currency exchange contracts.

Income Taxes

Benefit from income taxes was $6 million and $61 million for the six months ended June 30, 2022 and 2021, respectively, an unfavorable change of $55 million. Our effective income tax rate for the six months ended June 30, 2022 differs from the statutory Canadian income tax rate primarily due to: (i) the recording of valuation allowance on entities for which no tax benefit of losses is expected, (ii) the tax benefit generated from our annualized mix of earnings by jurisdiction and (iii) the discrete treatment of certain tax matters, primarily related to: (a) changes in uncertain tax positions, (b) adjustments for book to income tax return provisions and (c) a tax deduction for stock compensation.

Our effective income tax rate for the six months ended June 30, 2021 differs from the statutory Canadian income tax rate primarily due to: (i) the tax benefit generated from our annualized mix of earnings by jurisdiction, (ii) the recording of valuation allowance on entities for which no tax benefit of losses is expected and (iii) the discrete treatment of certain tax matters, primarily related to: (a) the release of a valuation allowance, (b) tax law changes, (c) adjustments for book to income tax return provisions, (d) changes in uncertain tax positions and (e) a tax deduction for stock compensation.

See Note 16, "INCOME TAXES" to our unaudited interim Consolidated Financial Statements for further details.

Reportable Segment Revenues and Profits

The following table presents segment revenues, segment revenues as a percentage of total revenues, and the year-over-year changes in segment revenues for the six months ended June 30, 2022 and 2021. The following table also presents segment profits, segment profits as a percentage of segment revenues and the year-over-year changes in segment profits for the six months ended June 30, 2022 and 2021.

	Six Months Ended June 30,					
	2022		2021		Change	
(in millions)	Amount	Pct.	Amount	Pct.	Amount	Pct.
Segment Revenues						
Salix	$ 965	25 %	$ 988	24 %	$ (23)	(2)%
International	477	12 %	619	14 %	(142)	(23)%
Diversified Products	484	13 %	560	14 %	(76)	(14)%
Solta Medical	129	3 %	145	4 %	(16)	(11)%
Bausch + Lomb	1,830	47 %	$ 1,815	44 %	15	1%
Total revenues	$ 3,885	100 %	$ 4,127	100 %	$ (242)	(6)%
Segment Profits / Segment Profit Margins						
Salix	$ 676	70 %	$ 697	71 %	$ (21)	(3)%
International	157	33 %	212	34 %	(55)	(26)%
Diversified Products	299	62 %	362	65 %	(63)	(17)%
Solta Medical	55	43 %	80	55 %	(25)	(31)%
Bausch + Lomb	414	23 %	452	25 %	(38)	(8)%
Total segment profits	$ 1,601	41 %	$ 1,803	44 %	$ (202)	(11)%

The following table presents organic revenue (non-GAAP) and the year-over-year changes in organic revenue (non-GAAP) for the six months ended June 30, 2022 and 2021 by segment. Organic revenues (non-GAAP) and organic growth (non-GAAP) rates are defined in the previous section titled “Reportable Segment Revenues and Profits”.

	Six Months Ended June 30, 2022			Six Months Ended June 30, 2021			Change in Organic Revenue (Non-GAAP)	
(in millions)	Revenue as Reported	Changes in Exchange Rates	Organic Revenue (Non-GAAP)	Revenue as Reported	Divestitures and Discontinuations	Organic Revenue (Non-GAAP)	Amount	Pct.
Salix	$ 965	$ —	$ 965	$ 988	$ —	$ 988	$ (23)	(2)%
International	477	27	504	619	(140)	479	25	5 %
Diversified Products	484	—	484	560	—	560	(76)	(14)%
Solta Medical	129	—	129	145	—	145	(16)	(11)%
Bausch + Lomb	1,830	75	1,905	1,815	(6)	1,809	96	5 %
Total	$ 3,885	$ 102	$ 3,987	$ 4,127	$ (146)	$ 3,981	$ 6	— %

Salix Segment:

Salix Segment Revenue

The Salix segment includes the Xifaxan® product line. Revenues from our Xifaxan® product line accounted for approximately 80% and 78% of the Salix segment revenues for the six months ended June 30, 2022 and 2021, respectively. No other single product group represents 10% or more of the Salix segment product sales. The Salix segment revenue for the six months ended June 30, 2022 and 2021 was $965 million and $988 million, respectively, a decrease of $23 million, or 2%. The decrease was primarily attributable to decreases in volume of $72 million, primarily attributable to: (i) unfavorable inventory balancing of Xifaxan® by our wholesalers and (ii) the impact of generic competition as certain products, such as Apriso®, lost exclusivity, partially offset by an increase in net realized pricing of $49 million, primarily attributable to our Xifaxan® product line.

Salix Segment Profit

The Salix segment profit for the six months ended June 30, 2022 and 2021 was $676 million and $697 million, respectively, a decrease of $21 million, or 3%. The decrease was primarily driven by: (i) a decrease in contribution primarily attributable to the net decrease in revenues, as previously discussed, and (ii) higher selling, advertising and promotion expenses primarily associated with Xifaxan®, partially offset by lower litigation costs.

International Segment:

International Segment Revenue

The International segment has a diversified product line with no single product group representing 10% or more of its product sales. The International segment revenue was $477 million and $619 million for the six months ended June 30, 2022 and 2021, respectively, a decrease of $142 million, or 23%. The decrease was primarily attributable to: (i) the impact of divestitures and discontinuations of $140 million, primarily attributable to our divestiture of Amoun on July 26, 2021 and (ii) the unfavorable impact of foreign currencies of $27 million, primarily in Canada and Europe. This decrease was partially offset by: (i) an increase in net realized pricing of $16 million and (ii) an increase in volumes of $9 million. The increase in volumes is primarily attributable to Europe and was partially offset by charges for approximately $11 million of returns in connection with a change in certain distribution agreements representing a change in estimated future returns in one market, driven by lower estimated demand following the easing of local COVID-19 lockdown restrictions as well as a change of distributors.

International Segment Profit

The International segment profit for the six months ended June 30, 2022 and 2021 was $157 million and $212 million, respectively, a decrease of $55 million, or 26%. The decrease was primarily driven by the decrease in contribution primarily attributable to the impact of the divestiture of Amoun on July 26, 2021 partially offset by the increases net realized pricing, as previously discussed.

Diversified Products Segment:

Diversified Products Segment Revenue

The Diversified Products segment revenue for the six months ended June 30, 2022 and 2021 was $484 million and $560 million, respectively, a decrease of $76 million, or 14%. The decrease was primarily driven by: (i) a decrease in net realized pricing of $3 million and (ii) a decrease in volume of $73 million. The decrease in volume was primarily attributable to our Neurology and Other business, including: (i) decreases in Ativan®, Mysoline® and Pepcid® attributable to the favorable impact of mail order programs in 2021 not recurring in 2022, (ii) a decrease in Wellbutrin® attributable to a decrease in demand and the unfavorable impacts of inventory rebalancing by our distributors and (iii) the impacts of more generic competitors.

Diversified Products Segment Profit

The Diversified Products segment profit for the six months ended June 30, 2022 and 2021 was $299 million and $362 million, respectively, a decrease of $63 million, or 17% and was primarily driven by the decrease in revenues, as previously discussed.

Solta Medical Segment:

Solta Medical Segment Revenue

The Solta Medical segment includes the Thermage® product line, which accounted for approximately 74% of the Solta segment revenues for the six months ended June 30, 2022. No other single product group represents 10% or more of the Solta segment revenues. The Solta Medical segment revenue for the six months ended June 30, 2022 and 2021 was $129 million and $145 million, respectively, a decrease of $16 million, or 11%. The decrease was primarily attributable to a decrease in volume of $25 million, primarily driven by the impact of the COVID-19 pandemic in China partially offset by an increase in net realized pricing of $9 million.

Solta Medical Segment Profit

The Solta Medical segment profit for the six months ended June 30, 2022 and 2021 was $55 million and $80 million, respectively, a decrease of $25 million, or 31%. The decrease was primarily driven by the decrease in

revenues as discussed above.

Bausch + Lomb Segment:

Bausch + Lomb Segment Revenue

The Bausch + Lomb segment revenue was $1,830 million and $1,815 million for the six months ended June 30, 2022 and 2021, respectively, an increase of $15 million, or 1%. The increase was primarily attributable to: (i) an increase in volumes across all of our Bausch + Lomb businesses of $88 million and net realized pricing of $8 million. The increase in volumes was primarily driven by: (i) our Vision Care business, primarily attributable to: (a) increased demand for certain consumer eye health products including Lumify®, Biotrue® and PreserVision® and (b) the impact of a quality issue in 2021 related to a third-party supplier of sterilization services for certain lens care solution bottles and caps, as previously discussed, and (ii) increased demand of consumables and intraocular lenses within our Surgical business, partially offset by a decrease in volume in our international contact lens business, primarily driven by the impact of the COVID-19 pandemic in China. These increases were partially offset by: (i) the unfavorable impact of foreign currencies across all Bausch + Lomb's international businesses of $75 million, primarily in Europe and Asia and (ii) the impact of divestitures and discontinuations of $6 million, related to the discontinuation of certain products.

Bausch + Lomb Segment Profit

The Bausch + Lomb segment profit for the six months ended June 30, 2022 and 2021 was $414 million and $452 million, respectively, a decrease of $38 million, or 8%. The decrease was primarily driven by: (i) higher SG&A expenses within U.S. Consumer and Surgical, (ii) the unfavorable impact of foreign currencies and (iii) higher manufacturing variances, primarily as a result of inflationary pressures related to certain manufacturing costs, partially offset by the impact of manufacturing variances incurred in 2021 related to a quality issue at a third-party supplier, as previously discussed. These decreases were partially offset by the increase in revenues, as previously discussed.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	Six Months Ended June 30,		
(in millions)	2022	2021	Change
Net loss	$ (205)	$ (1,200)	$ 995
Adjustments to reconcile net loss to net cash provided by operating activities	370	1,867	(1,497)
Cash provided by operating activities before changes in operating assets and liabilities	165	667	(502)
Changes in operating assets and liabilities	(105)	171	(276)
Net cash provided by operating activities	60	838	(778)
Net cash used in investing activities	(114)	(99)	(15)
Net cash used in financing activities	(162)	(631)	469
Effect of exchange rate on cash and cash equivalents and other	(24)	(6)	(18)
Net increase in cash, cash equivalents, restricted cash and other settlement deposits	(240)	102	(342)
Cash, cash equivalents, restricted cash and other settlement deposits, beginning of period	2,119	1,816	303
Cash, cash equivalents, restricted cash and other settlement deposits, end of period	$ 1,879	$ 1,918	$ (39)

Operating Activities

Net cash provided by operating activities was $60 million for the six months ended June 30, 2022, as compared to $838 million for the six months ended June 30, 2021, a decrease of $778 million. The decrease was attributable to: (i) the decrease in Cash provided by operating activities before changes in operating assets and liabilities and (ii) Changes in operating assets and liabilities.

Cash provided by operating activities before changes in operating assets and liabilities was $165 million and $667 million for the six months ended June 30, 2022 and 2021, respectively, a decrease of $502 million. The decrease is primarily attributable to payments of accrued legal settlements related to the Glumetza Antitrust

Litigation and a RICO class action matter during 2022 and an increase in payments for Separation costs, Separation-related costs, IPO costs and IPO-related costs in 2022 as compared to 2021.

Changes in operating assets and liabilities resulted in a net decrease in cash of $105 million for the six months ended June 30, 2022, as compared to a net increase of $171 million for the six months ended June 30, 2021, respectively, a decrease of $276 million. During the six months ended June 30, 2022, Changes in operating assets and liabilities was positively impacted by: (i) an increase in inventories of $138 million and (ii) the timing of other payments in the ordinary course of business of $74 million, partially offset by the collection of trade receivables of $107 million. During the six months ended June 30, 2021, Changes in operating assets and liabilities was positively impacted by: (i) the timing of other payments in the ordinary course of business of $254 million and (ii) an increase in accrued interest due to timing of payments of $12 million and was partially offset by: (i) an increase in trade receivables of $48 million and (ii) an increase in inventories of $47 million.

Investing Activities

Net cash used in investing activities was $114 million for the six months ended June 30, 2022 and was primarily driven by Purchases of property, plant and equipment of $98 million.

Net cash used in investing activities was $99 million for the six months ended June 30, 2021 and was primarily driven by Purchases of property, plant and equipment of $128 million partially offset by: (i) Proceeds from sale of assets and businesses, net of costs to sell of $25 million and (ii) Interest settlements from cross-currency swaps of $11 million.

Financing Activities

Net cash used in financing activities was $162 million for the six months ended June 30, 2022 and was primarily driven by: (i) the issuance of long-term debt, net of discounts, of $6,320 million related to the February 2027 Secured Notes, 2027 Term Loan B Facility, draws on the 2027 Revolving Credit Facility and the B+L Term Loan Facility and (ii) net proceeds from the B+L IPO of $675 million, partially offset by the repayment of long-term debt of $7,083 million related to: (i) the repayment of the outstanding balance under our 2023 Revolving Credit Facility, (ii) the repayment of the outstanding balance of our 6.125% Senior Unsecured Notes, (iii) the repayment of the outstanding balances under our 2025 Term Loan B Facilities and (iv) the repurchase and retirement of certain outstanding Senior Secured Notes in the open market with an aggregate par value of $481 million for approximately $300 million.

Net cash used in financing activities was $631 million for the six months ended June 30, 2021 and was primarily driven by the repayments of debt of $2,100 million which consisted of: (i) $1,600 million of 7.00% Senior Secured Notes due 2024 as part of the 2021 Refinancing Transactions and (ii) the aggregate prepayments of $500 million of Senior Secured and Senior Unsecured Notes using cash on hand and cash from operations. Issuance of long-term debt, net of discounts of $1,579 million primarily includes the proceeds of $1,583 million from the issuance of $1,600 million in principal amount of 4.875% Senior Secured Notes due June 2028.

See Note 10, “FINANCING ARRANGEMENTS” to our unaudited interim Consolidated Financial Statements for additional information regarding the financing activities described above.

Liquidity and Debt

Future Sources of Liquidity

Our primary sources of liquidity are our cash and cash equivalents, cash collected from customers, funds as available from our revolving credit facility, issuances of long-term debt and issuances of equity and equity-linked securities. We believe these sources will be sufficient to meet our current liquidity needs for at least the twelve months following the issuance of this Form 10-Q.

The Company regularly evaluates market conditions, its liquidity profile, and various financing alternatives for opportunities to enhance its capital structure. If opportunities are favorable, the Company may refinance or repurchase existing debt or issue equity or equity-linked securities.

Cash, cash equivalents and restricted cash and other settlements as presented in the Consolidated Balance Sheet as of June 30, 2022 includes $446 million of cash, cash equivalents and restricted cash held by legal entities of Bausch + Lomb of which approximately $92 million was due to be distributed to other legal entities owned by the Company in connection with the B+L Separation. Cash otherwise held by Bausch + Lomb legal entities and any future cash from the operations, investing and financing activities of Bausch + Lomb, is expected to be retained by Bausch + Lomb entities and are generally not available to support the operations, investing and financing

activities of other legal entities, including Bausch + Lomb's parent company unless paid as a dividend which would be determined by the Board of Directors of Bausch + Lomb and paid pro rata to Bausch + Lomb's shareholders.

Long-term Debt

Long-term debt, net of unamortized premiums, discounts and issuance costs was $21,814 million and $22,654 million as of June 30, 2022 and December 31, 2021, respectively. Aggregate contractual principal amounts due under our debt obligations were $22,056 million and $22,870 million as of June 30, 2022 and December 31, 2021, respectively, a decrease of $814 million. The decrease is attributable to the debt repayments as previously discussed under, under "— Liquidity and Capital Resources — Cash Flows — Financing Activities" during the six months ended June 30, 2022.

Senior Secured Credit Facilities

Senior Secured Credit Facilities under the 2018 Restated Credit Agreement

On June 1, 2018, the Company and certain of its subsidiaries as guarantors entered into the "Senior Secured Credit Facilities" under the Company's Fourth Amended and Restated Credit and Guaranty Agreement, as amended by the First Incremental Amendment to the Restated Credit Agreement, dated as of November 27, 2018 (the "2018 Restated Credit Agreement") with a syndicate of financial institutions and investors as lenders. Prior to the 2022 Amended Credit Agreement (as defined below), the 2018 Restated Credit Agreement provided for a revolving credit facility of $1,225 million, maturing on the earlier of June 1, 2023 and the date that is 91 calendar days prior to the scheduled maturity of indebtedness for borrowed money of the Company and Bausch Health Americas, Inc. ("BHA") in an aggregate principal amount in excess of $1,000 million (the "2023 Revolving Credit Facility") and term loan facilities of original principal amounts of $4,565 million and $1,500 million, maturing in June 2025 (the "June 2025 Term Loan B Facility") and November 2025 (the "November 2025 Term Loan B Facility"), respectively.

Senior Secured Credit Facilities under the 2022 Amended Credit Agreement

On May 10, 2022, the Company and certain of its subsidiaries as guarantors entered into a Second Amendment (the "Second Amendment") to the Fourth Amended and Restated Credit and Guaranty Agreement (as amended by the Second Amendment, the "2022 Amended Credit Agreement"). The 2022 Amended Credit Agreement provides for a new term loan facility with an aggregate principal amount of $2,500 million (the "2027 Term Loan B Facility") maturing on February 1, 2027 and a new revolving credit facility of $975 million (the "2027 Revolving Credit Facility") that will mature on the earlier of February 1, 2027 and the date that is 91 calendar days prior to the scheduled maturity of indebtedness for borrowed money of the Company and BHA in an aggregate principal amount in excess of $1,000 million. Borrowings under the 2027 Revolving Credit Facility can be made in U.S. dollars, Canadian dollars or Euros. After giving effect to the Second Amendment, the 2023 Revolving Credit Facility, June 2025 Term Loan B Facility and November 2025 Term Loan B Facility were refinanced (such refinancing, the "Credit Agreement Refinancing"), along with certain of the Company's existing senior notes, using net proceeds from the borrowings under the 2027 Term Loan B Facility, the B+L IPO and the B+L Debt Financing (as defined below) and available cash on hand. As of June 30, 2022, the Company had drawn $425 million on the 2027 Revolving Credit Facility.

Borrowings under the 2027 Term Loan B Facility bear interest at a rate per annum equal to, at the Company's option, either: (a) a forward-looking term rate determined by reference to the financing rate for borrowing U.S. dollars overnight collateralized by U.S. Treasury securities ("term SOFR rate") for the interest period relevant to such borrowing or (b) a base rate determined by reference to the highest of: (i) the prime rate (as defined in the 2022 Amended Credit Agreement), (ii) the federal funds effective rate plus 1/2 of 1.00% and (iii) the term SOFR rate for a period of one month plus 1.00% (or if such rate shall not be ascertainable, 1.50%) (provided, however, that the term SOFR rate with respect to the 2027 Term Loan B Facility shall at no time be less than 0.50% per annum), in each case, plus an applicable margin. Borrowings under the 2027 Revolving Credit Facility in: (i) U.S. dollars bear interest at a rate per annum equal to, at the Company's option, either: (a) the term SOFR rate (provided, however, that the term SOFR rate with respect to the 2027 Revolving Credit Facility shall at no time be less than 0.00% per annum) or (b) a base rate determined by reference to the highest of: (x) the prime rate (as defined in the 2022 Amended Credit Agreement), (y) the federal funds effective rate plus 1/2 of 1.00% or (z) the term SOFR rate for a period of one month plus 1.00%, (ii) Canadian dollars bear interest at a rate per annum equal to, at the Company's option, either: (a) the bankers' acceptance rate for Canadian dollar deposits in the Toronto interbank market (the "BA rate") for the interest period relevant to such borrowing (provided, however, that the BA rate shall at no time be less than 0.00% per annum) or (b) a prime rate determined by reference to the higher of: (x) the rate of interest last quoted by The Wall Street Journal as the "Canadian Prime Rate" or, if The Wall Street

Journal ceases to quote such rate, the highest per annum interest rate published by the Bank of Canada as its prime rate and (y) the one month BA rate calculated daily plus 1.00% (provided, however, that the prime rate shall at no time be less than 0.00% per annum) and (iii) euros bear interest at a rate per annum equal to a term benchmark rate determined by reference to the cost of funds for euro deposits ("EURIBOR") for the interest period relevant to such borrowing (provided, however, that such rate, shall at no time be less than 0.00% per annum in each case, plus an applicable margin). Term SOFR rate loans are subject to a credit spread adjustment ranging from 0.10%-0.25%.

The applicable interest rate margin for borrowings under the 2027 Term Loan B Facility is 5.25% for term SOFR rate loans and 4.25% for U.S. dollar base rate loans. The applicable interest rate margin for borrowings under the 2027 Revolving Credit Facility ranges from 4.75% to 5.25% for term SOFR rate loans, BA rate loans and EURIBOR loans and 3.75% to 4.25% for U.S. dollar base rate loans and Canadian prime rate loans.

In addition, the Company is required to pay commitment fees of 0.25%-0.50% per annum with respect to the unutilized commitments under the 2027 Revolving Credit Facility, payable quarterly in arrears. The Company also is required to pay: (i) letter of credit fees on the maximum amount available to be drawn under all outstanding letters of credit in an amount equal to the applicable margin on term SOFR rate borrowings under the 2027 Revolving Credit Facility on a per annum basis, payable quarterly in arrears, (ii) customary fronting fees for the issuance of letters of credit and (iii) agency fees.

Subject to certain exceptions and customary baskets set forth in the 2022 Amended Credit Agreement, the Company is required to make mandatory prepayments of the loans under the Senior Secured Credit Facilities under certain circumstances, including from: (i) 100% of the net cash proceeds of insurance and condemnation proceeds for property or asset losses (subject to reinvestment rights, and net proceeds thresholds), (ii) 100% of the net cash proceeds from the incurrence of debt (other than permitted debt as described in the 2022 Amended Credit Agreement), (iii) 50% of Excess Cash Flow (as defined in the 2022 Amended Credit Agreement) subject to decrease based on leverage ratios and subject to a threshold amount and (iv) 100% of net cash proceeds from asset sales (subject to reinvestment rights, and net proceeds thresholds). These mandatory prepayments may be used to satisfy future amortization.

The amortization rate for the 2027 Term Loan B Facility is 5.00% per annum, or $125 million, payable in quarterly installments beginning on September 30, 2022. The Company may direct that prepayments be applied to such amortization payments in order of maturity. As of June 30, 2022, the remaining mandatory quarterly amortization payments for the 2027 Term Loan B Facility were $563 million through December 2026.

The 2022 Amended Credit Agreement permits the incurrence of incremental credit facility borrowings up to the greater of $1,000 million and 40% of Consolidated Adjusted EBITDA (non-GAAP) (as defined in the 2022 Amended Credit Agreement), subject to customary terms and conditions, as well as the incurrence of additional incremental credit facility borrowings subject to, in the case of secured debt, a secured leverage ratio of not greater than 3.50:1.00, and, in the case of unsecured debt, either a total leverage ratio of not greater than 6.50:1.00 or an interest coverage ratio of not less than 2.00:1.00.

The 2022 Amended Credit Agreement provides that Bausch + Lomb shall initially be a “restricted” subsidiary subject to the terms of the 2022 Amended Credit Agreement covenants, but does not require Bausch + Lomb to guarantee the obligations under the 2022 Amended Credit Agreement. The 2022 Amended Credit Agreement permits the Company to designate Bausch + Lomb as an “unrestricted” subsidiary under the 2022 Amended Credit Agreement and no longer subject to the terms of the covenants thereunder provided that no event of default is continuing or will result from such designation and the total leverage ratio of Remainco (as defined in the 2022 Amended Credit Agreement) will not be greater than 7.60:1.00 on a pro forma basis. The Credit Agreement Refinancing contains provisions designed to facilitate the B+L Separation.

Senior Secured Credit Facilities under the B+L Credit Agreement

On May 10, 2022, Bausch + Lomb entered into a credit agreement (the “B+L Credit Agreement”, and the credit facilities thereunder, the “B+L Credit Facilities”) providing for term loans of $2,500 million with a five-year term to maturity (the “B+L Term Facility”) and a five-year revolving credit facility of $500 million (the “B+L Revolving Credit Facility” and such financing, the “B+L Debt Financing”). The B+L Credit Facilities are secured by substantially all of the assets of Bausch + Lomb and its material, wholly-owned Canadian, U.S., Dutch and Irish subsidiaries, subject to certain exceptions. The term loans are denominated in U.S. dollars, and borrowings under the revolving credit facility will be made available in U.S. dollars, euros, pounds sterling and Canadian dollars. As of June 30, 2022, the B+L Revolving Credit Facility remains undrawn.

Borrowings under the B+L Revolving Credit Facility in: (i) U.S. dollars bear interest at a rate per annum equal to, at Bausch + Lomb’s option, either: (a) the term SOFR rate for the interest period relevant to such borrowing or (b) a base rate, determined by reference to the highest of: (i) the prime rate (as defined in the B+L Credit Agreement), (ii) the federal funds effective rate plus 1/2 of 1.00% and (iii) the term SOFR rate for a period of one month plus 1.00% (or if such rate shall not be ascertainable, 1.00%) (provided, however, that the term SOFR rate with respect to the B+L Revolving Credit Facility shall at no time be less than 0.00% per annum), (ii)

Canadian dollars bear interest at a rate per annum equal to, at Bausch + Lomb's option, either: (a) the BA rate for the interest period relevant to such borrowing (provided, however, that the BA rate shall at no time be less than 0.00% per annum) or (b) prime rate determined by reference to the higher of: (x) the rate of interest last quoted by The Wall Street Journal as the "Canadian Prime Rate" or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Bank of Canada as its prime rate and (y) the one month BA rate calculated

daily plus 1.00% (provided, however, that the prime rate shall at no time be less than 0.00% per annum), (iii) euros bear interest at a rate per annum equal to EURIBOR for the interest period relevant to such borrowing (provided, however, that such rate shall at no time be less than 0.00% per annum) and (iv) pounds sterling bear interest at a rate per annum equal to the effective overnight interest rate for unsecured transaction in the Sterling Overnight Index Average ("SONIA") (provided, however, that such rate, shall at no time be no less than 0.00% per annum, in each case, plus an applicable margin. Term SOFR rate loans are subject to a credit spread adjustment of 0.10% and sterling loans are subject to a credit spread adjustment of 0.0326%.

The applicable interest rate margins for borrowings under the B+L Revolving Credit Facility are: (i) between 0.75% to 1.75% with respect to U.S. dollar base rate or Canadian dollar prime rate borrowings and between 1.75% to 2.75% with respect to term SOFR rate, EURIBOR, SONIA or BA rate borrowings based on Bausch + Lomb's total net leverage ratio and (ii) after: (x) Bausch + Lomb's senior unsecured non-credit-enhanced long term indebtedness for borrowed money receives an investment grade rating from at least two of S&P, Moody's and Fitch and (y) the B+L Term Loan Facility has been repaid in full in cash (the "IG Trigger"), between 0.015% to 0.475% with respect to U.S. dollar base rate or Canadian dollar prime rate borrowings and between 1.015% to 1.475% with respect to term SOFR rate, EURIBOR, SONIA or BA rate borrowings based on Bausch + Lomb's debt rating. In addition, Bausch + Lomb is required to pay commitment fees of 0.25% per annum in respect of the unutilized commitments under the B+L Revolving Credit Facility, payable quarterly in arrears until the IG Trigger and a facility fee between 0.110% to 0.275% of the total revolving commitments, whether used or unused, based on Bausch + Lomb's debt rating and payable quarterly in arrears. Bausch + Lomb is also required to pay letter of credit fees on the maximum amount available to be drawn under all outstanding letters of credit in an amount equal to the applicable margin on term SOFR rate borrowings under the B+L Revolving Credit Facility on a per annum basis, payable quarterly in arrears, as well as customary fronting fees for the issuance of letters of credit and agency fees.

Borrowings under the B+L Term Facility bear interest at a rate per annum equal to, at Bausch + Lomb's option, either (i) the term SOFR rate for the interest period relevant to such borrowing (provided, however, that the term SOFR rate with respect to the B+L Term Facility shall at no time be less than 0.50% per annum), plus an applicable margin of 3.25% or (ii) a base rate determined by reference to the highest of (x) the prime rate (as defined in the B+L Credit Agreement), (y) the federal funds effective rate plus 1/2 of 1.00% and (z) the term SOFR rate for a period of one month plus 1.00% (or if such rate shall not be ascertainable, 2.25% (provided, however, that the base rate with respect to the B+L Term Facility shall at no time be less than 0.50% per annum), plus an applicable margin of 2.25%. Term SOFR rate loans are subject to a credit spread adjustment of 0.10%.

Subject to certain exceptions and customary baskets set forth in the B+L Credit Agreement, Bausch + Lomb is required to make mandatory prepayments of the loans under the B+L Term Facility under certain circumstances, including from: (i) 100% of the net cash proceeds of insurance and condemnation proceeds for property or asset losses (subject to reinvestment rights, decrease based on leverage ratios and net proceeds threshold), (ii) 100% of the net cash proceeds from the incurrence of debt (other than permitted debt as described in the B+L Credit Agreement), (iii) 50% of Excess Cash Flow (as defined in the B+L Credit Agreement) subject to decrease based on leverage ratios and subject to a threshold amount and (iv) 100% of net cash proceeds from asset sales (subject to reinvestment rights, decrease based on leverage ratios and net proceeds threshold). These mandatory prepayments may be used to satisfy future amortization.

The amortization rate for the B+L Term Facility is 1.00% per annum, or $25 million, payable in quarterly installments beginning on September 30, 2022. Bausch + Lomb may direct that prepayments be applied to such amortization payments in order of maturity. As of June 30, 2022, the remaining mandatory quarterly amortization payments for the B+L Term Facility were $119 million through March 2027.

Senior Secured Notes

The Senior Secured Notes are guaranteed by each of the Company's subsidiaries that is a guarantor under the 2022 Amended Credit Agreement and existing Senior Unsecured Notes (together, the "Note Guarantors"). The Senior Secured Notes and the guarantees related thereto are senior obligations and are secured, subject to permitted liens and certain other exceptions, by the same first priority liens that secure the Company's obligations under the 2022 Amended Credit Agreement under the terms of the indentures governing the Senior Secured Notes.

The Senior Secured Notes and the guarantees rank equally in right of repayment with all of the Company's and Note Guarantors' respective existing and future unsubordinated indebtedness and senior to the Company's and Note Guarantors' respective future subordinated indebtedness. The Senior Secured Notes and the guarantees

related thereto are effectively *pari passu* with the Company's and the Note Guarantors' respective existing and future indebtedness secured by a first priority lien on the collateral securing the Senior Secured Notes and effectively senior to the Company's and the Note Guarantors' respective existing and future indebtedness that is unsecured, including the existing Senior Unsecured Notes, or that is secured by junior liens, in each case to the extent of the value of the collateral. In addition, the Senior Secured Notes are

structurally subordinated to: (i) all liabilities of any of the Company's subsidiaries that do not guarantee the Senior Secured Notes and (ii) any of the Company's debt that is secured by assets that are not collateral.

Upon the occurrence of a change in control (as defined in the indentures governing the Senior Secured Notes), unless the Company has exercised its right to redeem all of the notes of a series, holders of the Senior Secured Notes may require the Company to repurchase such holder's notes, in whole or in part, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest.

The aggregate principal amount of our Senior Secured Notes as of June 30, 2022 and December 31, 2021 was $4,850 million and $3,850 million, respectively, an increase of $1,000 million representing the issuance of February 2027 Secured Notes.

Senior Unsecured Notes

The Senior Unsecured Notes issued by the Company are the Company's senior unsecured obligations and are jointly and severally guaranteed on a senior unsecured basis by each of its subsidiaries that is a guarantor under the 2022 Amended Credit Agreement. The Senior Unsecured Notes issued by BHA are senior unsecured obligations of BHA and are jointly and severally guaranteed on a senior unsecured basis by the Company and each of its subsidiaries (other than BHA) that is a guarantor under the 2022 Amended Credit Agreement. Future subsidiaries of the Company and BHA, if any, may be required to guarantee the Senior Unsecured Notes. In connection with the closing of the B+L IPO, the discharge of the April 2025 Unsecured Notes Indenture and the related release under the 2022 Amended Credit Agreement described above, the guarantees and related security provided by Bausch + Lomb and its subsidiaries in respect of the existing senior notes of the Company and BHA were released. On a non-consolidated basis, the non-guarantor subsidiaries had total assets of $12,558 million and total liabilities of $4,299 million as of June 30, 2022, and revenues of $2,028 million and operating income of $10 million for the six months ended June 30, 2022.

If the Company experiences a change in control, the Company may be required to make an offer to repurchase each series of Senior Unsecured Notes, in whole or in part, at a purchase price equal to 101% of the aggregate principal amount of the Senior Unsecured Notes repurchased, plus accrued and unpaid interest.

The aggregate principal amount of our Senior Unsecured Notes as of June 30, 2022 and December 31, 2021 was $11,769 million and $14,900 million, respectively, a decrease of $3,131 million, attributable to: (i) the redemption in full of the April 2025 Senior Unsecured Notes and (ii) the repurchase and retirement of certain outstanding Senior Secured Notes in the open market with an aggregate par value of approximately $481 million for $300 million.

Availability Under Revolving Credit Facilities

As of the date of this filing, August 9, 2022, there were $550 million of outstanding borrowings, $40 million of issued and outstanding letters of credit and approximately $385 million of remaining availability under the 2027 Revolving Credit Facility.

As of the date of this filing, August 9, 2022, the B+L Revolving Credit Facility remains undrawn and has availability of approximately $500 million. Absent the making of a dividend, which would be determined by the Board of Directors of Bausch + Lomb and paid pro rata to Bausch + Lomb's shareholders, proceeds from the B+L Revolving Credit Facility are not available to fund the operations, investing and financing activities of Bausch Health.

Covenant Compliance

Any inability to comply with the covenants under the terms of our 2022 Amended Credit Agreement, B+L Credit Agreement, Senior Secured Notes indentures or Senior Unsecured Notes indentures could lead to a default or an event of default for which we may need to seek relief from our lenders and noteholders in order to waive the associated default or event of default and avoid a potential acceleration of the related indebtedness or cross-default or cross-acceleration to other debt. There can be no assurance that we would be able to obtain such relief on commercially reasonable terms or otherwise and we may be required to incur significant additional costs. In addition, the lenders under our 2022 Amended Credit Agreement and B+L Credit Agreement, holders of our Senior Secured Notes and holders of our Senior Unsecured Notes may impose additional operating and financial restrictions on us as a condition to granting any such waiver.

As of June 30, 2022, the Company was in compliance with its financial maintenance covenant related to its outstanding debt. The Company, based on its current forecast, expects to remain in compliance with the financial maintenance covenant and meet its debt service obligations for at least the twelve months following the date of issuance of this Form 10-Q.

The Company continues to take steps to seek to improve its operating results to ensure continual compliance with its financial maintenance covenant and take other actions to reduce its debt levels to align with the Company's long-term strategy. The Company may consider taking other actions, including divesting other businesses, refinancing debt and issuing

equity or equity-linked securities including secondary offerings of the common shares of Bausch + Lomb, as deemed appropriate, to provide additional coverage in complying with the financial maintenance covenant and meeting its debt service obligations.

Weighted Average Interest Rate

The weighted average stated rate of interest of the Company's outstanding debt as of June 30, 2022 and December 31, 2021 was 6.34% and 5.88%, respectively.

See Note 10, "FINANCING ARRANGEMENTS" to our unaudited interim Consolidated Financial Statements for further details.

Focus on Capitalization of the Post-separation Entities

In connection with the B+L Separation, we have emphasized that it is important that the post-separation entities be well-capitalized, with appropriate leverage and with access to additional capital, if and when needed, to provide each entity with the ability to independently allocate capital to areas that will strengthen their own competitive positions in their respective lines of business and position each entity for sustainable growth. Therefore, we see the appropriate capitalization and leverage of these businesses post-separation as a key to bringing out the maximum value across our portfolio of assets and it is a primary objective of our plan of separation.

Credit Ratings

As of August 9, 2022, the credit ratings and outlook from Moody's, Standard & Poor's ("S&P's") and Fitch for certain outstanding obligations of the Company were as follows:

	Bausch Health Companies Inc.				Bausch + Lomb Corporation		
Rating Agency	Corporate Rating	Senior Secured Rating	Senior Unsecured Rating	Outlook	Corporate Rating	Senior Secured Rating	Outlook
Moody's	Caa1	B2	Caa2	Negative		B1	Negative
Standard & Poor's	CCC+	B	CCC	Negative	CCC+	CCC+	Developing
Fitch	B-	BB-	B-	Negative	B+	BB+	Rating Watch Evolving

Bausch Health Companies Inc. - On May 10, 2022, in connection with the B+L IPO and related Credit Agreement Refinancing, Moody's assigned our senior secured notes a Ba3 rating, consistent with the Ba3 rating assigned to the $2,500 million of term B loans and the $975 million revolving credit facility and to the newly issued February 2027 Secured Notes.

On May 31, 2022, S&P's downgraded all of its credit ratings 1-notch and affirmed its negative outlook.

On July 29, 2022, Moody's lowered its credit ratings two notches to: a corporate rating of Caa1, a senior secured rating of B2 and a senior unsecured rating of Caa2. On August 1, 2022, S&P's lowered its credit ratings two notches to: a corporate rating to CCC+, a senior secured rating of B and a senior unsecured rating of CCC. On August 3, 2022, Fitch lowered its credit ratings one notch to: a corporate rating of B-, a senior secured rating of BB- and a senior unsecured rating of B-. These downgrades were a result of the Norwich Legal Decision (see "*Xifaxan® Paragraph IV Proceedings*" of Note 18, "LEGAL PROCEEDINGS" to our unaudited interim Consolidated Financial Statements).

Bausch + Lomb Corporation - Bausch + Lomb is a restricted subsidiary under the 2022 Amended Credit Agreement and related indentures and will remain a restricted subsidiary until Bausch Health designates Bausch + Lomb as "unrestricted", which is expected to occur at or prior to the distribution anticipated under the proposed B+L Separation. We expect Bausch + Lomb's credit ratings could be capped to that of the Company, until we designate Bausch + Lomb as "unrestricted".

In August 2022, S&P lowered its credit ratings for Bausch + Lomb two notches to: a corporate rating of CCC+ and a senior secured rating of CCC+. Moody's lowered its senior secured rating for Bausch + Lomb two notches to B1. Fitch lowered its corporate rating for Bausch + Lomb one notch to B+ and maintained its senior secured rating for Bausch + Lomb of BB+. These downgrades were made simultaneously with the downgrades to the credit ratings of Bausch Health, Bausch + Lomb's parent company.

Any downgrade in our corporate credit ratings or other credit ratings may increase our cost of borrowing and may negatively impact our ability to raise additional debt capital.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

We have no off-balance sheet arrangements that have a material current effect or that are reasonably likely to have a material effect on our results of operations, financial condition, capital expenditures, liquidity, or capital resources.

A substantial portion of our cash requirements for the remainder of 2022 are for debt service. Our other future cash requirements relate to working capital, capital expenditures, business development transactions (contingent consideration), restructuring, integration and separation costs, benefit obligations and litigation settlements. In addition, we may use cash to enter into licensing arrangements and/or to make strategic acquisitions. We regularly consider licensing and acquisition opportunities within our core therapeutic areas, some of which could be sizable.

In addition to our working capital requirements, as of June 30, 2022, we expect our primary cash requirements during the remainder of 2022 to include:

- *Debt repayments*—Based on our debt portfolio as of August 3, 2022, we anticipate making mandatory amortization payments of approximately $75 million and interest payments of approximately $730 million during the period July 1, 2022 through December 31, 2022. As discussed below, we have and in the future may also elect to make additional principal payments under certain circumstances. Further, in the ordinary course of business, we may borrow and repay additional amounts under our credit facilities using cash on hand, cash from operations and cash provided from the sale of common stock and additional debt financings in connection with the B+L Separation;

- *IT Infrastructure Investment*—We expect to make payments of approximately $20 million for licensing, maintenance and capitalizable costs associated with our IT infrastructure improvement projects during the remainder of 2022;

- *Capital expenditures*—We expect to make payments of approximately $180 million for property, plant and equipment during the remainder of 2022;

- *Contingent consideration payments*—We expect to make contingent consideration and other development/approval/sales-based milestone payments of approximately $25 million during the remainder of 2022;

- *Restructuring and integration payments*—We expect to make payments of $20 million during the remainder of 2022 for employee separation costs and lease termination obligations associated with restructuring and integration actions we have taken through June 30, 2022;

- *Benefit obligations*—We expect to make aggregate payments under our pension and postretirement obligations of $6 million during the remainder of 2022; and

- *Litigation Payments*—In the ordinary course of business, the Company is involved in litigation, claims, government inquiries, investigations, charges and proceedings. As of June 30, 2022, the Company's Consolidated Balance Sheet includes accrued current loss contingencies of $1,536 million related to matters which are both probable and reasonably estimable, of which $1,210 million is expected to be payable during the period July 1, 2022 through December 31, 2022; however, a reliable estimate of the period in which the remaining loss contingencies will be payable, if ever, cannot be made.

  U.S. Securities Litigation for $1,210 million - The amounts which can be expected to be payable during the period July 1, 2022 through December 31, 2022 include inter alia the agreement to resolve the U.S. Securities litigation for $1,210 million. Final court approval of this settlement was granted in January 2021 but is subject to an objector's appeal of the Court's final approval order. The settlement resolves and discharges all claims against the Company in the class action. As part of the settlement, the Company and the other settling defendants admitted no liability as to the claims against them and deny all allegations of wrongdoing. This settlement resolves the most significant of the Company's remaining legacy legal matters and eliminates a material uncertainty regarding our Company. As of June 30, 2022, Restricted cash and other settlement deposits includes $1,210 million of payments into an escrow fund under the terms of a settlement agreement regarding the U.S. Securities Litigation.

  See Note 18, "LEGAL PROCEEDINGS" to our unaudited interim Consolidated Financial Statements for further details on this and other matters. Our ability to successfully defend the Company against pending and

future litigation may impact future cash flows.

Future Costs of B+L Separation

The Company has incurred costs associated with activities to complete the B+L Separation and the suspended, Solta IPO, and will continue to incur costs associated with the B+L separation. These activities include the costs of: (i) separating Bausch + Lomb and the Solta Medical businesses from the remainder of the Company and (ii) registering Bausch + Lomb as an independent publicly traded entity. Separation and IPO costs are incremental costs directly related to the B+L Separation

and Solta IPO and include, but are not limited to: (i) legal, audit and advisory fees, (ii) talent acquisition costs and (iii) costs associated with establishing new boards of directors and related board committees for Bausch + Lomb. The Company has also incurred, and will incur, Separation-related and IPO-related costs which are incremental costs indirectly related to the B+L Separation. These costs include, but are not limited to: (i) IT infrastructure and software licensing costs, (ii) rebranding costs and (iii) costs associated with facility relocation and/or modification. The extent and timing of future charges for these costs cannot be reasonably estimated at this time and could be material.

Future Cost Savings Programs

We continue to evaluate opportunities to improve our operating results and may initiate additional cost savings programs to streamline our operations and eliminate redundant processes and expenses. These cost savings programs may include, but are not limited to: (i) reducing headcount, (ii) eliminating real estate costs associated with unused or under-utilized facilities and (iii) implementing contribution margin improvement and other cost reduction initiatives. The expenses associated with the implementation of these cost savings programs could be material and may impact our cash flows.

Future Licensing Payments

In the ordinary course of business, the Company may enter into select licensing and collaborative agreements for the commercialization and/or development of unique products primarily in the U.S. and Canada. In connection with these agreements, the Company may pay an upfront fee to secure the agreement. See Note 4, "LICENSING AGREEMENTS AND DIVESTITURE" to our unaudited interim Consolidated Financial Statements. Payments associated with the upfront fee for these agreements cannot be reasonably estimated at this time and could be material.

Unrecognized Tax Benefits

As of June 30, 2022, the Company had unrecognized tax benefits totaling $840 million, of which, $14 million is expected to be realized during the remainder of 2022, however a reliable estimate of the period in which the remaining uncertain tax positions will be payable, if ever, cannot be made.

Future Repurchases of Debt

The Company regularly evaluates market conditions, its liquidity profile, and various financing alternatives for opportunities to enhance its capital structure. If opportunities are favorable, we may, from time to time, purchase outstanding debt for cash in open market purchases or privately negotiated transactions. Such repurchases or exchanges, if any, will depend on prevailing market conditions, future liquidity requirements, contractual restrictions and other factors.

There have been no other material changes to the contractual obligations disclosed in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Off-Balance Sheet Arrangements and Contractual Obligations" included in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC and the CSA on February 23, 2022.

OUTSTANDING SHARE DATA

Our common shares trade on the New York Stock Exchange and the Toronto Stock Exchange under the symbol "BHC".

At August 4, 2022, we had 361,728,490 issued and outstanding common shares. In addition, as of August 4, 2022, we had outstanding 10,932,203 stock options and 5,824,121 time-based restricted share units that each represent the right of a holder to receive one of the Company's common shares, and 1,518,449 performance-based restricted share units that represent the right of a holder to receive a number of the Company's common shares up to a specified maximum. A maximum of 1,129,202 common shares could be issued upon vesting of the performance-based restricted share units outstanding.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are those policies and estimates that are most important and material to the preparation of our Consolidated Financial Statements, and which require management's most subjective and complex judgment due to the need to select policies from among alternatives available, and to make

estimates about matters that are inherently uncertain. Management has reassessed the critical accounting policies and estimates as disclosed in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates” included in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC and the CSA on February 23, 2022, and determined that there were no significant changes in our critical accounting policies and estimates during the six months ended June 30, 2022, except for: (i) estimates and assumptions regarding the nature, timing and extent that the COVID-19 pandemic had on the Company’s operations and cash flows as discussed in Note 2,

"SIGNIFICANT ACCOUNTING POLICIES" to our unaudited interim Consolidated Financial Statements, (ii) the impact that the current year segment and reporting unit realignments had on the Company's allocation of goodwill as discussed in Note 8, "INTANGIBLE ASSETS AND GOODWILL" to our unaudited interim Consolidated Financial Statements and (iii) the estimates associated with the fair value of Ortho Dermatologics reporting unit in testing goodwill for impairment as discussed in Note 8, "INTANGIBLE ASSETS AND GOODWILL" to our unaudited interim Consolidated Financial Statements.

NEW ACCOUNTING STANDARDS

None.

FORWARD-LOOKING STATEMENTS

Caution regarding forward-looking information and statements and "Safe-Harbor" statements under the U.S. Private Securities Litigation Reform Act of 1995 and applicable Canadian securities laws:

To the extent any statements made in this Form 10-Q contain information that is not historical, these statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and may be forward-looking information within the meaning defined under applicable Canadian securities laws (collectively, "forward-looking statements").

These forward-looking statements relate to, among other things: our business strategy, business plans and prospects and forecasts and changes thereto; product pipeline, prospective products and product approvals, expected launches of new products, product development and future performance and results of current and anticipated products; anticipated revenues for our products; expected research and development ("R&D") and marketing spend; our expected primary cash and working capital requirements for 2022 and beyond; the Company's plans for continued improvement in operational efficiency and the anticipated impact of such plans; our liquidity and our ability to satisfy our debt maturities as they become due; our ability to reduce debt levels; our ability to comply with the financial and other covenants contained in our Fourth Amended and Restated Credit and Guaranty Agreement dated as of June 1, 2018 (the "Restated Credit Agreement"), as amended by the First Incremental Amendment to the Restated Credit Agreement, dated as of November 27, 2018 (the "2018 Restated Credit Agreement") and the Second Amendment (the "Second Amendment") to the 2018 Restated Credit Agreement, dated as of May 10, 2022 (as so amended, and as may be further amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, the "2022 Amended Credit Agreement"), and senior notes indentures; the ability of our subsidiary, Bausch + Lomb Corporation ("Bausch + Lomb"), to comply with the financial and other covenants contained in its Credit and Guaranty Agreement (the "B+L Credit Agreement", and the credit facilities thereunder, the "B+L Credit Facilities"), dated as of May 10, 2022; the impact of our distribution, fulfillment and other third-party arrangements; proposed pricing actions; exposure to foreign currency exchange rate changes and interest rate changes; the outcome of contingencies, such as litigation, subpoenas, investigations, reviews, audits and regulatory proceedings; the anticipated impact of the adoption of new accounting standards; general market conditions; our expectations regarding our financial performance, including revenues, expenses, gross margins and income taxes; our impairment assessments, including the assumptions used therein and the results thereof; the anticipated impact of the evolving COVID-19 pandemic and related responses from governments and private sector participants on the Company, its supply chain, third-party suppliers, project development timelines, costs, revenues, margins, liquidity and financial condition, the anticipated timing, speed and magnitude of recovery from these COVID-19 pandemic related impacts and the Company's planned actions and responses to this pandemic; the anticipated impact from the ongoing conflict between Russia and Ukraine; and the Company's plan to separate its eye health business, including the structure and timing of completing such separation transaction.

Forward-looking statements can generally be identified by the use of words such as "believe", "anticipate", "expect", "intend", "estimate", "plan", "continue", "will", "may", "could", "would", "should", "target", "potential", "opportunity", "designed", "create", "predict", "project", "forecast", "seek", "strive", "ongoing", "decrease" or "increase" and variations or other similar expressions. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements may not be appropriate for other purposes. All of the statements in this Form 10-Q that contain forward-looking statements are qualified by these cautionary statements. These statements are based upon the current expectations and beliefs of management. Although we believe that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and

uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making such forward-looking statements, including, but not limited to, factors and assumptions regarding the items previously outlined, those factors, risks and uncertainties outlined below and the assumption that none of these factors, risks and uncertainties will cause actual results or events to differ materially from those described in such forward-looking statements. Actual results may differ materially from those expressed or implied in such statements. Important factors, risks and uncertainties that could cause actual results to differ materially from these expectations include, among other things, the following:

- the risks and uncertainties caused by or relating to the evolving COVID-19 pandemic, the fear of that pandemic, the availability and effectiveness of vaccines for COVID-19 (including with respect to current or future variants and subvariants), COVID-19 vaccine immunization rates, the emergence of variant and subvariant strains of COVID-19, the resurgence of the COVID-19 virus and variant and subvariant strains thereof (including, but not limited to, the recent resurgence of COVID-19 cases) and any resulting reinstitution of lockdowns and other restrictions, the evolving reaction of governments, private sector participants and the public to that pandemic, and the potential effects and economic impact of the pandemic and the reaction to it, the severity, duration and future impact of which are highly uncertain and cannot be predicted, and which may have a significant adverse impact on the Company, including, but not limited to, its supply chain, third-party suppliers, project development timelines, employee base, liquidity, stock price, financial condition, costs (which may increase) and revenue and margins (both of which may decrease);

- the challenges the Company faces as a result of the closing of the initial public offering ("IPO") of Bausch + Lomb (the "B+L IPO"), including the transitional services being provided by and to Bausch + Lomb, any potential, actual or perceived conflict of interest of some of our directors and officers because of their equity ownership in Bausch + Lomb and/or because they also serve as directors or officers of Bausch + Lomb and our ability to timely consolidate the financial results of the Bausch + Lomb business;

- *with respect to the Company's proposed plan to spinoff Bausch + Lomb, the risks and uncertainties include, but are not limited to, the expected benefits and costs of the spinoff, the expected timing of completion of the spinoff and its terms (including the Company's expectation that the spinoff will be completed following the expiry of customary lock-ups related to the B+L IPO and achievement of targeted debt leverage ratios, subject to receipt of applicable shareholder and other necessary approvals), the Company's ability to complete the spinoff considering the various conditions to the completion of the spinoff (some of which are outside the Company's control, including conditions related to regulatory matters and applicable shareholder and stock exchange approvals), that market or other conditions are no longer favorable to completing the spinoff, that the previously announced planned IPO of the Company's aesthetics medical device business, Global Solta (the "Solta IPO") has been suspended, that the Norwich Legal Decision (see "Xifaxan® Paragraph IV Proceedings" of Note 18, "LEGAL PROCEEDINGS" to our unaudited interim Consolidated Financial Statements) may affect the timing of, or our ability to complete the B+L Separation, that applicable shareholder, stock exchange, regulatory or other approvals is not obtained on the terms or timelines anticipated or at all, business disruption during the pendency of, or following, the spinoff, diversion of management time on separation transaction-related issues, retention of existing management team members, the reaction of customers and other parties to the separation transaction, the qualification of the separation transaction as a tax-free transaction for Canadian and/or U.S. federal income tax purposes (including whether or not an advance ruling from the Canada Revenue Agency and/or the Internal Revenue Service will be sought or obtained), the ability of the Company and the separated entity to satisfy the conditions required to maintain the tax-free status of the spinoff (some of which are beyond their control), other potential tax or other liabilities that may arise as a result of the spinoff, the potential dissynergy costs resulting from the spinoff, the impact of the spinoff on relationships with customers, suppliers, employees and other business counterparties, general economic conditions, conditions in the markets the Company is engaged in, behavior of customers, suppliers and competitors, technological developments, as well as legal and regulatory rules affecting the Company's business. In particular, the Company can offer no assurance that any spinoff will occur at all, or that any such transaction will occur on the timelines anticipated by the Company;*

- ongoing litigation and potential additional litigation, claims, challenges and/or regulatory investigations challenging or otherwise relating to the B+L IPO and the spinoff and the costs, expenses, use of resources, diversion of management time and efforts, liability and damages that may result therefrom;

- the expense, timing and outcome of legal and governmental proceedings, investigations and information requests relating to, among other matters, our past distribution, marketing, pricing, disclosure and accounting practices (including with respect to our former relationship with Philidor Rx Services, LLC ("Philidor")), including a number of pending non-class securities litigations (including certain pending opt-out actions in the U.S. related to the previously settled securities class action (which remains subject to an objector's petition for rehearing of its appeal of the Court's final approval order) and certain opt-out actions in Canada relating to the recently settled class action in Canada), certain pending lawsuits and other claims, investigations or proceedings that may be initiated or that may be asserted;

- potential additional litigation and regulatory investigations (and any costs, expenses, use of resources, diversion of management time and efforts, liability and damages that may result therefrom), negative publicity and reputational harm on our Company, products and business that may result from the past and ongoing public scrutiny of our past distribution, marketing, pricing, disclosure and accounting practices and from our former relationship with Philidor;

- the past and ongoing scrutiny of our legacy business practices, including with respect to pricing, and any pricing controls or price adjustments that may be sought or imposed on our products as a result thereof;
- pricing decisions that we have implemented, or may in the future elect to implement, such as the Patient Access and Pricing Committee's historic practice of limiting the average annual price increase for our branded prescription pharmaceutical products to single digits, or any future pricing actions we may take in 2022 or beyond following review by our Patient Access and Pricing Committee (which is responsible for the pricing of our drugs);
- legislative or policy efforts, including those that may be introduced and passed by the U.S. Congress, designed to reduce patient out-of-pocket costs for medicines, which could result in new mandatory rebates and discounts or other pricing restrictions, controls or regulations (including mandatory price reductions);
- ongoing oversight and review of our products and facilities by regulatory and governmental agencies, including periodic audits by the U.S. Food and Drug Administration (the "FDA") and equivalent agencies outside of the U.S. and the results thereof;
- actions by the FDA or other regulatory authorities with respect to our products or facilities;
- compliance with the legal and regulatory requirements of our marketed products;
- our substantial debt (and potential additional future indebtedness) and current and future debt service obligations, our ability to reduce our outstanding debt levels and the resulting impact on our financial condition, cash flows and results of operations;
- our ability to comply with the financial and other covenants contained in our senior notes indentures, the 2027 Revolving Credit Facility (as defined below), the 2022 Amended Credit Agreement, the B+L Credit Agreement and other current or future credit and/or debt agreements, including the ability of Bausch + Lomb to comply with its covenants and obligations under the B+L Credit Agreement, restrictions and prohibitions such covenants impose or may impose on the way we conduct our business, including prohibitions on incurring additional debt if certain financial covenants are not met, limitations on the amount of additional obligations we are able to incur pursuant to other covenants, our ability to draw under our 2027 Revolving Credit Facility, Bausch + Lomb's ability to draw down under the revolving credit facility under the B+L Credit Agreement and restrictions on our ability to make certain investments and other restricted payments;
- any default under the terms of our senior notes indentures or the 2022 Amended Credit Agreement (and other current or future credit and/or debt agreements) and our ability, if any, to cure or obtain waivers of such default;
- any downgrade by rating agencies in our credit ratings, which may impact, among other things, our ability to raise debt and the cost of capital for additional debt issuances;
- any reductions in, or changes in the assumptions used in, our forecasts for fiscal year 2022 or beyond, including as a result of the impacts of the COVID-19 pandemic on our business and operations, which could lead to, among other things: (i) a failure to meet the financial and/or other covenants contained in the 2022 Amended Credit Agreement, senior notes indentures and/or the B+L Credit Agreement (and other current or future credit and/or debt agreements) and/or (ii) impairment in the goodwill associated with certain of our reporting units or impairment charges related to certain of our products or other intangible assets, which impairments could be material;
- changes in the assumptions used in connection with our impairment analyses or assessments, which would lead to a change in such impairment analyses and assessments and which could result in an impairment in the goodwill associated with any of our reporting units or impairment charges related to certain of our products or other intangible assets;
- the uncertainties associated with the acquisition and launch of new products, assets and businesses, including, but not limited to, our ability to provide the time, resources, expertise and funds required for the commercial launch of new products, the acceptance and demand for new products, and the impact of competitive products and pricing, which could lead to material impairment charges;

- our ability or inability to extend the profitable life of our products, including through line extensions and other life-cycle programs;
- our ability to retain, motivate and recruit directors, executives and other key employees;
- our ability to implement effective succession planning for our executives and key employees;

- factors impacting our ability to stabilize and reposition our Ortho Dermatologics business to generate additional value, including the success of recently launched products and the approval of pipeline products (and the timing of such approvals);
- factors impacting our ability to achieve anticipated revenues for our products, including changes in anticipated marketing spend on such products and launch of competing products;
- factors impacting our ability to achieve anticipated market acceptance for our products, including acceptance of the pricing, effectiveness of promotional efforts, reputation of our products and launch of competing products;
- the challenges and difficulties associated with managing a large complex business, which has, in the past, grown rapidly;
- our ability to compete against companies that are larger and have greater financial, technical and human resources than we do, as well as other competitive factors, such as technological advances achieved, patents obtained and new products introduced by our competitors;
- our ability to effectively operate and grow our businesses in light of the challenges that the Company has faced and market conditions, including with respect to its substantial debt, pending investigations and legal proceedings, scrutiny of our past pricing and other practices, limitations on the way we conduct business imposed by the covenants contained in our 2022 Amended Credit Agreement, the B+L Credit Agreement, our senior notes indentures and the agreements governing our other indebtedness, and the impacts of the COVID-19 pandemic;
- the extent to which our products are reimbursed by government authorities, pharmacy benefit managers ("PBMs") and other third-party payors; the impact our distribution, pricing and other practices may have on the decisions of such government authorities, PBMs and other third-party payors to reimburse our products; the impact of obtaining or maintaining such reimbursement on the price and sales of our products; and the launch and implementation of any new pharma-care or dental-care program or related spending by the Canadian federal government;
- the inclusion of our products on formularies or our ability to achieve favorable formulary status, as well as the impact on the price and sales of our products in connection therewith;
- the consolidation of wholesalers, retail drug chains and other customer groups and the impact of such industry consolidation on our business;
- our ability to maintain strong relationships with physicians and other healthcare professionals;
- our eligibility for benefits under tax treaties and the availability of low effective tax rates for the business profits of certain of our subsidiaries;
- the implementation of the Organisation for Economic Co-operation and Development Inclusive Framework on Base Erosion and Profit Shifting, including the global minimum corporate tax rate, by the countries in which we operate;
- the outcome of any audits by taxation authorities, which outcomes may differ from the estimates and assumptions that we may use in determining our consolidated tax provisions and accruals;
- the actions of our third-party partners or service providers of research, development, manufacturing, marketing, distribution or other services, including their compliance with applicable laws and contracts, which actions may be beyond our control or influence, and the impact of such actions on our Company;
- the risks associated with the international scope of our operations, including our presence in emerging markets and the challenges we face when entering and operating in new and different geographic markets (including the challenges created by new and different regulatory regimes in such countries and the need to comply with applicable anti-bribery and economic sanctions laws and regulations);
- adverse global economic conditions, including rates of inflation, and credit markets and foreign currency exchange uncertainty and volatility in certain of the countries in which we do business;
- the trade conflict between the U.S. and China;

- the impact of the ongoing conflict between Russia and Ukraine and the export controls, sanctions and other restrictive actions that have been or may be imposed by the U.S., Canada and other countries against governmental and other entities in Russia, Belarus and parts of Ukraine;
- the impact of the United States-Mexico-Canada Agreement ("USMCA") and any potential changes to other trade agreements;

- our ability to obtain, maintain and license sufficient intellectual property rights over our products and enforce and defend against challenges to such intellectual property (such as in connection with the filing by Norwich Pharmaceuticals Inc. ("Norwich") of its Abbreviated New Drug Application ("ANDA") for Xifaxan® (rifaximin) 550 mg tablets and the Company's related lawsuit filed against Norwich in connection therewith) and the impact of the Norwich matter on, among other things, our business results, financial results, and the proposed separation of B+L;
- our ability to successfully appeal the decision of the U.S. District Court for the District of Delaware in the Company's lawsuit against Norwich in connection with Norwich's ANDA and challenge Norwich's ability to achieve a modified ANDA that avoids an injunction [expected to be issued] by the District Court and omits the Xifaxan® hepatic encephalopathy ("HE") indication and HE safety data;
- the fact that a substantial amount of our revenues are derived from the Xifaxan® product line, and that we may be materially impacted by the entry of a generic rifaximin product earlier than January 2028;
- the introduction of generic, biosimilar or other competitors of our branded products and other products, including the introduction of products that compete against our products that do not have patent or data exclusivity rights;
- our ability to identify, finance, acquire, close and integrate acquisition targets successfully and on a timely basis and the difficulties, challenges, time and resources associated with the integration of acquired companies, businesses and products;
- any divestitures of our assets or businesses and our ability to successfully complete any such divestitures on commercially reasonable terms and on a timely basis, or at all, and the impact of any such divestitures on our Company, including the reduction in the size or scope of our business or market share, loss of revenue, any loss on sale, including any resultant impairments of goodwill or other assets, or any adverse tax consequences suffered as a result of any such divestitures;
- the expense, timing and outcome of pending or future legal and governmental proceedings, arbitrations, investigations, subpoenas, tax and other regulatory audits, examinations, reviews and regulatory proceedings against us or relating to us and settlements thereof;
- our ability to negotiate the terms of or obtain court approval for the settlement of certain legal and regulatory proceedings;
- our ability to obtain components, raw materials or finished products supplied by third parties (some of which may be single-sourced) and other manufacturing and related supply difficulties, interruptions and delays;
- the disruption of delivery of our products and the routine flow of manufactured goods;
- economic factors over which the Company has no control, including changes in inflation, interest rates, foreign currency rates, and the potential effect of such factors on revenues, expenses and resulting margins;
- interest rate risks associated with our floating rate debt borrowings;
- our ability to effectively distribute our products and the effectiveness and success of our distribution arrangements;
- our ability to effectively promote our own products and those of our co-promotion partners;
- the success of our fulfillment arrangements with Walgreen Co., including market acceptance of, or market reaction to, such arrangements (including by customers, doctors, patients, PBMs, third-party payors and governmental agencies), and the continued compliance of such arrangements with applicable laws;
- our ability to secure and maintain third-party research, development, manufacturing, licensing, marketing or distribution arrangements;
- the risk that our products could cause, or be alleged to cause, personal injury and adverse effects, leading to potential lawsuits, product liability claims and damages and/or recalls or withdrawals of products from the market;

- the mandatory or voluntary recall or withdrawal of our products from the market and the costs associated therewith;
- the availability of, and our ability to obtain and maintain, adequate insurance coverage and/or our ability to cover or insure against the total amount of the claims and liabilities we face, whether through third-party insurance or self-insurance;

- our indemnity agreements, which may result in an obligation to indemnify or reimburse the relevant counterparty, which amounts may be material;
- the difficulty in predicting the expense, timing and outcome within our legal and regulatory environment, including with respect to approvals by the FDA, Health Canada, European Medicines Agency ("EMA") and similar agencies in other countries, legal and regulatory proceedings and settlements thereof, the protection afforded by our patents and other intellectual and proprietary property, successful generic challenges to our products and infringement or alleged infringement of the intellectual property of others;
- the results of continuing safety and efficacy studies by industry and government agencies;
- the success of preclinical and clinical trials for our drug development pipeline or delays in clinical trials that adversely impact the timely commercialization of our pipeline products, as well as other factors impacting the commercial success of our products, which could lead to material impairment charges;
- uncertainties around the successful improvement and modification of our existing products and development of new products, which may require significant expenditures and efforts;
- the results of management reviews of our research and development portfolio (including following the receipt of clinical results or feedback from the FDA or other regulatory authorities), which could result in terminations of specific projects which, in turn, could lead to material impairment charges;
- the seasonality of sales of certain of our products;
- declines in the pricing and sales volume of certain of our products that are distributed or marketed by third parties, over which we have no or limited control;
- compliance by the Company or our third-party partners and service providers (over whom we may have limited influence), or the failure of our Company or these third parties to comply, with health care "fraud and abuse" laws and other extensive regulation of our marketing, promotional and business practices (including with respect to pricing), worldwide anti-bribery laws (including the U.S. Foreign Corrupt Practices Act and the Canadian Corruption of Foreign Public Officials Act), worldwide economic sanctions and/or export laws, worldwide environmental laws and regulation and privacy and security regulations;
- the impacts of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 and potential amendment thereof and other legislative and regulatory health care reforms in the countries in which we operate, including with respect to recent government inquiries on pricing;
- the impact of any changes in or reforms to the legislation, laws, rules, regulation and guidance that apply to the Company and its businesses and products or the enactment of any new or proposed legislation, laws, rules, regulations or guidance that will impact or apply to the Company or its businesses or products;
- the impact of changes in federal laws and policy that may be undertaken under the current administration;
- illegal distribution or sale of counterfeit versions of our products;
- any plans for the Company's aesthetic medical business;
- interruptions, breakdowns or breaches in our information technology systems; and
- risks in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021, filed on February 23, 2022, risks under Item 1A. "Risk Factors" of Part II of this Form 10-Q and risks detailed from time to time in our other filings with the U.S. Securities and Exchange Commission ("SEC") and the Canadian Securities Administrators (the "CSA"), as well as our ability to anticipate and manage the risks associated with the foregoing.

Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found in our Annual Report on Form 10-K for the year ended December 31, 2021, filed on February 23, 2022, under Item 1A. "Risk Factors", under Item 1A. "Risk Factors" of Part II of this Form 10-Q and in the Company's other filings with the SEC and the CSA. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the

foregoing factors and other uncertainties and potential events. These forward-looking statements speak only as of the date made. We undertake no obligation to update or revise any of these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect actual outcomes, except as required by law. We caution that, as it is not possible to predict or identify all relevant factors that may impact forward-looking statements, the foregoing list of important factors that may affect future results is not exhaustive and should not be considered a complete statement of all potential risks and uncertainties.

PART II. OTHER INFORMATION

Item 6. Exhibits

Exhibit Number	Exhibit Description
31.1*	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certificate of the Chief Executive Officer of Bausch Health Companies Inc. pursuant to 18 U.S.C. § 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certificate of the Chief Financial Officer of Bausch Health Companies Inc. pursuant to 18 U.S.C. § 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

SIGNATURES

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

Bausch Health Companies Inc.
(Registrant)

Date: September 2, 2022

/s/ THOMAS J. APPIO

Thomas J. Appio
Chief Executive Officer
(Principal Executive Officer)

Date: September 2, 2022

/s/ TOM VADAKETH

Tom Vadaketh
Executive Vice President,
Chief Financial Officer
(Principal Financial Officer)