

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the Quarterly Period Ended September 30, 2022
OR**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-41380

Bausch + Lomb Corporation

(Exact name of registrant as specified in its charter)

Canada

(State or other jurisdiction of incorporation or organization)

98-1613662

(I.R.S. Employer Identification No.)

520 Applewood Crescent, Vaughan, Ontario, Canada L4K 4B4

(Address of Principal Executive Offices) (Zip Code)

(905) 695-7700

(Registrant's telephone number, including area code)

Title of each class	Trading Symbol(s)	Name of each exchange on which registered	
Common Shares, No Par Value	BLCO	New York Stock Exchange	Toronto Stock Exchange

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common shares, no par value — 350,000,749 shares outstanding as of October 28, 2022.

BAUSCH + LOMB CORPORATION
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2022

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BAUSCH + LOMB CORPORATION
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2022

Introductory Note

Except where the context otherwise requires, all references in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 (this “Form 10-Q”) to the “Company”, “we”, “us”, “our” or similar words or phrases are to Bausch + Lomb Corporation and its subsidiaries, taken together. In this Form 10-Q, references to “\$” are to United States (“U.S.”) dollars, references to “€” are to euros and references to “CAD” are to Canadian dollars. Unless otherwise indicated, the statistical and financial data contained in this Form 10-Q are presented as of September 30, 2022.

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 results of current and anticipated products; anticipated revenues for our products; expected R&D and marketing spend; our expected primary cash and working capital requirements for 2022 and beyond; our 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 comply with the covenants contained in our credit agreement (the “Credit Agreement”) and, during the period in which we remain a restricted subsidiary thereunder, the credit agreement of Bausch Health Companies Inc. (the “BHC Credit Agreement”) and the senior notes indentures of Bausch Health Companies Inc. and Bausch Health Americas, Inc. (collectively, the “BHC Indentures”); any 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 and economic uncertainty; our expectations regarding our financial performance, including our future financial and operating performance, 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 and, its supply chain, third-party suppliers, project development timelines, costs, revenues, margins, liquidity and financial condition and the anticipated timing, speed and magnitude of recovery from these COVID-19 pandemic related impacts; the anticipated impact from the ongoing conflict between Russia and Ukraine; and the anticipated separation from Bausch Health Companies Inc. (“BHC”), including the structure and expected timetable for 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. Although we have previously indicated certain of these statements set out herein, 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 emergence of variants and sub-variants of COVID-19 (including, but not limited to, the resurgence of COVID-19 cases in China and other countries) and any resulting reinstatement or strengthening of lockdowns or other restrictions, the availability and effectiveness of vaccines for COVID-19 (including with respect to current or future variants and sub-variants), COVID-19 vaccine immunization rates, 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 us, including but not limited to our supply chain, third-party suppliers, project development timelines, employee base, liquidity, stock price, financial condition and 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 its recent initial public offering (the “B+L IPO”), including the challenges and difficulties associated with managing an independent, complex business, the transitional services being provided by and to BHC, any potential, actual or perceived conflict of interest of some of our directors and officers because of their equity ownership in BHC and/or because they also serve as directors of BHC;*
- our status as a controlled company, and the possibility that BHC’s interest may conflict with our interests and the interests of our other shareholders;*
- the impact on our business of remaining a restricted subsidiary for a period of time following the B+L IPO under the BHC Credit Agreement and the BHC Indentures, which may adversely affect our operations;*
- the risks and uncertainties associated with the proposed plan to separate or spinoff Bausch + Lomb from BHC, which include, but are not limited to, the expected benefits and costs of the spinoff transaction, the expected timing of completion of the spinoff transaction and its terms (including the expectation that the spinoff transaction will be completed following the expiry of customary lock-ups related to the B+L IPO (which have now expired) and achievement of targeted debt leverage ratios, subject to market conditions and receipt of applicable shareholder and other necessary approvals), the ability to complete the spinoff transaction considering the various conditions to the completion of the spinoff transaction (some of which are outside the Company’s and BHC’s control, including conditions related to regulatory matters and receipt of applicable shareholder approvals), the impact of any potential sales of our common shares by BHC subject to expiring of customary lock-ups (which have now expired), that market or other conditions are no longer favorable to completing the transaction, that applicable shareholder, stock exchange, regulatory or other approval is not obtained on the terms or timelines anticipated or at all, business disruption during the pendency of, or following, the spinoff transaction, diversion of management time on spinoff transaction-related issues, retention of existing management team members, the reaction of customers and other parties to the spinoff transaction, the qualification of the spinoff 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 BHC to satisfy the conditions required to maintain the tax-free status of the spinoff transaction (some of which are beyond their control), other potential tax or other liabilities that may arise as a result of the spinoff transaction, the potential dis-synergy costs resulting from the spinoff transaction, the impact of the spinoff transaction 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 transaction will occur at all, or that any such transaction will occur on the timelines anticipated by the Company and BHC;*
- ongoing litigation and potential additional litigation, claims, challenges and/or regulatory investigations challenging or otherwise relating to the B+L IPO and the proposed separation from BHC and the costs, expenses, use of resources, diversion of management time and efforts, liability and damages that may result therefrom;*
- adverse economic conditions, including inflation, slower growth or a potential recession, which could adversely impact our revenues, expenses and resulting margins;*
- pricing decisions that we have implemented or may in the future elect to implement at the direction of our recently established Pricing Committee or otherwise;*
- 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 and other products, 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 United States 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 ability to comply with the financial and other covenants contained in our Credit Agreement and other current or future debt agreements and, during the period in which we are a restricted subsidiary thereunder, those covenants contained in the BHC Credit Agreement and the BHC Indentures, including the limitations, restrictions and prohibitions such covenants may impose on the way we conduct our business including prohibitions on incurring additional debt if certain financial covenants are not met, our ability to draw under the revolving credit facility*

under our Credit Agreement and restrictions on our ability to make certain investments and other restricted payments;

- *any downgrade or additional downgrade by rating agencies in our or BHC's credit ratings, which may impact, among other things, our ability to raise debt and the cost of capital for additional debt issuances;*
- *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 executives and other key employees, including our ability to find a new Chief Executive Officer;*
- *our ability to implement effective succession planning for our executives and key employees;*
- *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 the pricing of such products, effectiveness of promotional efforts, reputation of our products and launch of competing products;*
- *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;*
- *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; and the impact of obtaining or maintaining such reimbursement on the price and sales of our products;*
- *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 health care professionals;*
- *our eligibility for benefits under tax treaties and the continued 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 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 us;*
- *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 and credit markets and foreign currency exchange uncertainty and volatility in certain of the countries in which we do business;*
- *the impact of the United States-Mexico-Canada Agreement ("USMCA") and any potential changes to other trade agreements;*
- *the trade conflict between the United States 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 United States, Canada and other countries against governmental and other entities and individuals in or associated with Russia, Belarus and parts of Ukraine;*
- *our ability to obtain, maintain and license sufficient intellectual property rights over our products and enforce and defend against challenges to such intellectual property;*
- *the ability of BHC to enforce and defend against challenges to its intellectual property in connection with the filing by Norwich Pharmaceuticals Inc. ("Norwich") of its Abbreviated New Drug Application ("ANDA") for Xifaxan[®] (rifaxamin) 550 mg tablets and BHC's related lawsuit filed against Norwich in connection therewith (including BHC's ability to successfully appeal the decision of the U.S. District Court for the District of Delaware in such lawsuit (such decision, the "Norwich Legal Decision")) and the impact of such matters on, among other things, our planned separation or spinoff transaction and the timing thereof;*
- *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;*
- *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 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;*
- *potential work stoppages, slowdowns or other labor problems at our facilities and the resulting impact on our manufacturing, distribution and other operations;*
- *economic factors over which we have no control, including inflationary pressures as a result of historically high domestic and global inflation and otherwise, 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;*
- *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, the European Medicines Agency ("EMA") and similar agencies in other jurisdictions, 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 us or our third-party partners and service providers (over whom we may have limited influence), or the failure by us 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 (the “Health Care Reform Act”) and any 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 us and our businesses and products or the enactment of any new or proposed legislation, laws, rules, regulations or guidance that will impact or apply to us or our businesses or products;*
- *the impact of changes in federal laws and policy that may be undertaken under the Biden administration;*
- *illegal distribution or sale of counterfeit versions of our products;*
- *interruptions, breakdowns or breaches in our information technology systems; and*
- *the risks under the section entitled “Risk Factors” in our final prospectus as filed with the U.S. Securities and Exchange Commission (“SEC”) on May 5, 2022 pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended (the “Act”) relating to our Registration Statement on Form S-1, and our supplemented PREP prospectus as filed with the CSA (as defined below) on May 5, 2022 and risks detailed from time to time in our other filings with the 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 Bausch + Lomb’s final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act relating to our Registration Statement on Form S-1 and in Bausch + Lomb’s supplemented PREP prospectus as filed with the CSA on May 5, 2022, under the section entitled “Risk Factors” and in the Company’s other filings with the SEC and 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 I. FINANCIAL INFORMATION

Item 1. Financial Statements

BAUSCH + LOMB CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share amounts)
(Unaudited)

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 287	\$ 174
Restricted cash	10	3
Trade receivables, net (Note 4)	685	721
Inventories, net	605	572
Prepaid expenses and other current assets (Note 4)	272	165
Total current assets	1,859	1,635
Property, plant and equipment, net	1,222	1,225
Intangible assets, net	2,068	2,264
Goodwill	4,415	4,586
Deferred tax assets, net	904	933
Other non-current assets (Note 4)	228	180
Total assets	<u>\$ 10,696</u>	<u>\$ 10,823</u>
Liabilities		
Current liabilities:		
Accounts payable (Note 4)	\$ 295	\$ 239
Accrued and other current liabilities	879	860
Current portion of long-term debt	25	—
Total current liabilities	1,199	1,099
Deferred tax liabilities, net	10	24
Other non-current liabilities	279	298
Long-term debt	2,413	—
Total liabilities	3,901	1,421
Commitments and contingencies (Note 18)		
Equity		
Common shares, no par value, unlimited shares authorized, 350,000,749 shares issued and outstanding (Note 17)	—	—
Additional paid-in capital	8,108	—
Accumulated earnings	7	—
BHC investment	—	10,364
Accumulated other comprehensive loss	(1,386)	(1,035)
Total Bausch + Lomb Corporation shareholders' equity	6,729	9,329
Noncontrolling interest	66	73
Total equity	6,795	9,402
Total liabilities and equity	<u>\$ 10,696</u>	<u>\$ 10,823</u>

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

BAUSCH + LOMB CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues				
Product sales	\$ 937	\$ 941	\$ 2,755	\$ 2,743
Other revenues	5	8	17	21
	<u>942</u>	<u>949</u>	<u>2,772</u>	<u>2,764</u>
Expenses				
Cost of goods sold (excluding amortization and impairments of intangible assets) (Note 4)	370	361	1,093	1,056
Cost of other revenues	2	3	6	8
Selling, general and administrative (Note 4)	381	348	1,092	1,024
Research and development (Note 4)	77	63	229	201
Amortization of intangible assets	59	72	188	225
Other expense, net	7	8	8	13
	<u>896</u>	<u>855</u>	<u>2,616</u>	<u>2,527</u>
Operating income	46	94	156	237
Interest income	2	—	3	—
Interest expense (Note 4)	(35)	—	(99)	—
Foreign exchange and other	6	(6)	15	(5)
Income before provision for income taxes	19	88	75	232
Provision for income taxes	(34)	(25)	(60)	(93)
Net (loss) income	(15)	63	15	139
Net income attributable to noncontrolling interest	(3)	(3)	(8)	(8)
Net (loss) income attributable to Bausch + Lomb Corporation	\$ (18)	\$ 60	\$ 7	\$ 131
Basic and diluted (loss) income per share attributable to Bausch + Lomb Corporation				
	<u>\$ (0.05)</u>	<u>\$ 0.17</u>	<u>\$ 0.02</u>	<u>\$ 0.37</u>
Basic and diluted weighted-average common shares				
	<u>350</u>	<u>350</u>	<u>350</u>	<u>350</u>

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

BAUSCH + LOMB CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(in millions)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net (loss) income	\$ (15)	\$ 63	\$ 15	\$ 139
Other comprehensive (loss) income				
Foreign currency translation adjustment	(169)	(71)	(351)	(136)
Pension and postretirement benefit plan adjustments, net of income taxes	(1)	—	(4)	6
Other comprehensive (loss) income	(170)	(71)	(355)	(130)
Comprehensive (loss) income	(185)	(8)	(340)	9
Comprehensive income attributable to noncontrolling interest	(2)	(3)	(4)	(9)
Comprehensive (loss) income attributable to Bausch + Lomb Corporation	<u>\$ (187)</u>	<u>\$ (11)</u>	<u>\$ (344)</u>	<u>\$ —</u>

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

BAUSCH + LOMB CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in millions)
(Unaudited)

	Common Shares		BHC Investment	Additional Paid in Capital	Accumulated Earnings	Accumulated Other Comprehensive Loss	Bausch + Lomb Corporation Shareholders' Equity	Non-controlling Interest	Total Equity
	Shares	Amount							
Three Months Ended September 30, 2022									
Balances, July 1, 2022	350	\$ —	\$ —	\$ 8,088	\$ 25	\$ (1,217)	\$ 6,896	\$ 75	\$ 6,971
Net distributions to BHC and affiliates (Note 4)	—	—	—	2	—	—	2	—	2
Noncontrolling interest distributions	—	—	—	—	—	—	—	(11)	(11)
Share-based compensation	—	—	—	18	—	—	18	—	18
Net (loss) income	—	—	—	—	(18)	—	(18)	3	(15)
Other comprehensive loss	—	—	—	—	—	(169)	(169)	(1)	(170)
Balances, September 30, 2022	350	\$ —	\$ —	\$ 8,108	\$ 7	\$ (1,386)	\$ 6,729	\$ 66	\$ 6,795
Three Months Ended September 30, 2021									
Balances, July 1, 2021	—	\$ —	\$ 10,624	\$ —	\$ —	\$ (949)	\$ 9,675	\$ 76	\$ 9,751
Net decrease in BHC investment	—	—	(339)	—	—	—	(339)	—	(339)
Noncontrolling interest distributions	—	—	—	—	—	—	—	(10)	(10)
Net income	—	—	60	—	—	—	60	3	63
Other comprehensive loss	—	—	—	—	—	(71)	(71)	—	(71)
Balances, September 30, 2021	—	\$ —	\$ 10,345	\$ —	\$ —	\$ (1,020)	\$ 9,325	\$ 69	\$ 9,394
Nine Months Ended September 30, 2022									
Balances, January 1, 2022	—	\$ —	\$ 10,364	\$ —	\$ —	\$ (1,035)	\$ 9,329	\$ 73	\$ 9,402
Issuance of common shares (Note 17)	350	—	(8,164)	8,164	—	—	—	—	—
Issuance of BHC Purchase Debt (Note 4)	—	—	(2,200)	—	—	—	(2,200)	—	(2,200)
Net distributions to BHC and affiliates (Note 4)	—	—	—	(85)	—	—	(85)	—	(85)
Noncontrolling interest distributions	—	—	—	—	—	—	—	(11)	(11)
Share-based compensation	—	—	—	29	—	—	29	—	29
Net income	—	—	—	—	7	—	7	8	15
Other comprehensive loss	—	—	—	—	—	(351)	(351)	(4)	(355)
Balances, September 30, 2022	350	\$ —	\$ —	\$ 8,108	\$ 7	\$ (1,386)	\$ 6,729	\$ 66	\$ 6,795
Nine Months Ended September 30, 2021									
Balances, January 1, 2021	—	\$ —	\$ 10,807	\$ —	\$ —	\$ (889)	\$ 9,918	\$ 70	\$ 9,988
Net decrease in BHC investment	—	—	(593)	—	—	—	(593)	—	(593)
Noncontrolling interest distributions	—	—	—	—	—	—	—	(10)	(10)
Net income	—	—	131	—	—	—	131	8	139
Other comprehensive (loss) income	—	—	—	—	—	(131)	(131)	1	(130)
Balances, September 30, 2021	—	\$ —	\$ 10,345	\$ —	\$ —	\$ (1,020)	\$ 9,325	\$ 69	\$ 9,394

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

BAUSCH + LOMB CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(Unaudited)

	Nine Months Ended September 30,	
	2022	2021
Cash Flows From Operating Activities		
Net income	\$ 15	\$ 139
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangible assets	286	315
Amortization and write-off of debt premiums, discounts and issuance costs	5	—
Asset impairments	1	11
Allowances for losses on trade receivables and inventories	20	32
Deferred income taxes	(39)	9
Payments of accrued legal settlements	(4)	—
Share-based compensation	45	45
Foreign exchange loss	(10)	12
Gain excluded from hedge effectiveness	(3)	—
Other	(23)	(8)
Changes in operating assets and liabilities:		
Trade receivables	(68)	(31)
Inventories	(108)	(38)
Prepaid expenses and other current assets	(10)	(15)
Accounts payable, accrued and other liabilities	79	240
Net cash provided by operating activities	<u>186</u>	<u>711</u>
Cash Flows From Investing Activities		
Acquisitions of intangible assets and other investments	(5)	1
Purchases of property, plant and equipment	(125)	(131)
Purchases of marketable securities	(15)	(14)
Proceeds from sale of marketable securities	20	11
Net cash used in investing activities	<u>(125)</u>	<u>(133)</u>
Cash Flows From Financing Activities		
Issuance of long-term debt, net of discounts	2,440	—
Repayments of debt	(6)	—
Payments of financing costs	(3)	—
Payments of noncontrolling interest distributions	(11)	(10)
Net borrowings under BHC pooled financing arrangements (Note 4)	31	—
Net transfers to BHC (Note 4)	(2,363)	(665)
Net cash provided by (used in) financing activities	<u>88</u>	<u>(675)</u>
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(29)	(8)
Net increase in cash and cash equivalents and restricted cash	120	(105)
Cash and cash equivalents and restricted cash, beginning of period	177	238
Cash and cash equivalents and restricted cash, end of period	<u><u>\$ 297</u></u>	<u><u>\$ 133</u></u>
Non-cash Financing Activity		
Issuance of BHC Purchase Debt (Note 4)	<u><u>\$ 2,200</u></u>	<u><u>\$ —</u></u>

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

BAUSCH + LOMB CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS

Overview

Bausch + Lomb Corporation (“Bausch + Lomb” or the “Company”) is a subsidiary of Bausch Health Companies Inc. (“BHC”), and is a leading global eye health company dedicated to protecting and enhancing the gift of sight for millions of people around the world – from the moment of birth through every phase of life. The Company operates in three reportable segments: (i) Vision Care segment which includes both a contact lens business and a consumer eye care business that consists of contact lens care products, over-the-counter (“OTC”) eye drops and eye vitamins, (ii) Ophthalmic Pharmaceuticals segment which consists of a broad line of proprietary and generic pharmaceutical products for post-operative treatments and treatments for a number of eye conditions, such as glaucoma, eye inflammation, ocular hypertension, dry eyes and retinal diseases and (iii) Surgical segment which consists of medical device equipment, consumables and instrumental tools and technologies for the treatment of corneal, cataracts, and vitreous and retinal eye conditions, and includes intraocular lenses and delivery systems, phacoemulsification equipment and other surgical instruments and devices necessary for cataract surgery. See Note 19, “SEGMENT INFORMATION” for additional information regarding these reportable segments.

Separation of Bausch + Lomb

On August 6, 2020, BHC announced its plan to separate Bausch + Lomb into an independent, publicly traded company, separate from the remainder of BHC (the “Separation”), commencing with an initial public offering of Bausch + Lomb's common shares (as further described below). Prior to January 1, 2022, Bausch + Lomb had nominal assets and liabilities. In connection with the B+L IPO (as defined below), BHC transferred to Bausch + Lomb, in a series of steps, all the entities, assets, liabilities and obligations that Bausch + Lomb held upon completion of the B+L IPO pursuant to a Master Separation Agreement (the “MSA”) with BHC.

The registration statement related to the initial public offering (the “IPO”) of Bausch + Lomb's common shares (the “B+L IPO”) was declared effective on May 5, 2022, and Bausch + Lomb's common shares began trading on the New York Stock Exchange and the Toronto Stock Exchange, in each case under the ticker symbol “BLCO”, on May 6, 2022. Bausch + Lomb also obtained a final receipt to its final Canadian base PREP prospectus on May 5, 2022. Prior to the B+L IPO, Bausch + Lomb was a wholly-owned subsidiary of BHC. On May 10, 2022, a wholly-owned subsidiary of BHC (the “Selling Shareholder”) sold 35,000,000 common shares of Bausch + Lomb, at an offering price of \$18.00 per share, pursuant to the Bausch + Lomb prospectuses. In addition, the Selling Shareholder granted the underwriters an option for a period of 30 days from the date of the B+L IPO to purchase up to an additional 5,250,000 common shares to cover over-allotments at the IPO price less underwriting commissions. On May 31, 2022, the underwriters for the B+L IPO partially exercised the over-allotment option granted by the Selling Shareholder and, on June 1, 2022, the Selling Shareholder sold an additional 4,550,357 common shares of Bausch + Lomb at an offering price of \$18.00 per share (less the applicable underwriting discount). The remainder of the over-allotment option granted to the underwriters expired. The Selling Shareholder received all net proceeds from the B+L IPO and the partial exercise of the over-allotment option by the underwriters. Upon the closing of the B+L IPO (after giving effect to the partial exercise of the over-allotment option), BHC directly or indirectly holds 310,449,643 Bausch + Lomb common shares, which represents approximately 88.7% of Bausch + Lomb common shares.

The completion of the full Separation of Bausch + Lomb is subject to the expiry of customary lockups related to the B+L IPO (which have now expired) and the achievement of targeted debt leverage ratios, subject to market conditions and the receipt of applicable shareholder and other necessary approvals, and subject to the various risk factors relating to the separation approvals set forth in Bausch + Lomb's final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act relating to the Bausch + Lomb Registration Statement on Form S-1 and in Bausch + Lomb's supplemented PREP prospectus as filed with the CSA on May 5, 2022, under the section entitled “Risk Factors.” Bausch + Lomb understands that BHC continues to believe that completing the B+L Separation makes strategic sense and that BHC continues to evaluate all factors and considerations related to completing the Separation, including the effect of the Norwich Legal Decision.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In connection with the B+L IPO, effective January 1, 2022, BHC transferred to Bausch + Lomb substantially all the entities, assets, liabilities and obligations related to the Bausch + Lomb business, such that the accompanying unaudited financial statements for all periods presented, including the historical results of the Company prior to January 1, 2022, are now referred to as “Condensed Consolidated Financial Statements”, and have been prepared pursuant to the rules and regulations for

reporting on Form 10-Q. Prior to January 1, 2022, the Company's combined financial statements were prepared on a combined basis and were derived from BHC's historical consolidated financial statements.

On May 10, 2022, Bausch + Lomb became an independent publicly traded company. The unaudited Condensed Consolidated Financial Statements, for the periods ended after the B+L IPO, have been prepared using the Company's accounting policies and reflect all normal and recurring adjustments necessary for a fair statement of the Company's financial position and results of operations for the interim periods.

Prior to the B+L IPO, Bausch + Lomb had historically operated as part of BHC; therefore, separate financial statements were not historically prepared. The accompanying unaudited Condensed Consolidated Financial Statements for periods prior to the B+L IPO were prepared from BHC's historical accounting records.

The unaudited financial statements for all periods presented, including the historical results of the Company prior to May 10, 2022 have been prepared by Bausch + Lomb in United States ("U.S.") dollars and in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial reporting and pursuant to the rules and regulations for reporting on Form 10-Q, which do not conform in all respects to the requirements of U.S. GAAP for annual financial statements. Accordingly, certain information and disclosures required by U.S. GAAP for complete Consolidated Financial Statements are not included herein.

The results of operations of any interim period are not necessarily indicative of the results of operations for the full year. In Bausch + Lomb's opinion, all adjustments necessary for a fair statement of these interim statements have been included and are of a normal and recurring nature. These interim statements should be read in conjunction with the audited financial statements and notes thereto included in Bausch + Lomb's Registration Statement on Form S-1, as amended, filed on April 28, 2022 and declared effective on May 5, 2022 and in Bausch + Lomb's final Canadian base PREP prospectus dated May 5, 2022 and the supplemented PREP prospectus dated May 5, 2022.

Prior to the B+L IPO, Bausch + Lomb relied on BHC's corporate and other support functions. Therefore, certain corporate and shared costs for periods prior to the B+L IPO have been allocated to Bausch + Lomb, including expenses related to BHC support functions that are provided on a centralized basis, including expenses for executive oversight, treasury, accounting, legal, human resources, shared services, compliance, procurement, information technology and other corporate functions. The expenses associated with these services generally include all payroll and benefit costs, certain share-based compensation expenses related to BHC's long-term incentive program for BHC employees who are providing corporate services to Bausch + Lomb, certain expenses associated with corporate insurance coverage and medical, pension, postretirement and other health plan costs for employees participating in BHC sponsored plans, as well as overhead costs related to the support functions. These expenses have been allocated to Bausch + Lomb using the same basis and methodologies used in preparing Bausch + Lomb's audited Combined Financial Statements for the year ended December 31, 2021.

Following the B+L IPO, certain functions that BHC provided to Bausch + Lomb prior to the B+L IPO continue to be provided to Bausch + Lomb by BHC under a Transition Services Agreement (the "TSA") or are performed using Bausch + Lomb's own resources or third-party service providers. Bausch + Lomb has incurred certain costs in its establishment as a standalone public company, and expects additional ongoing costs associated with operating as an independent, publicly traded company. See Note 4, "RELATED PARTIES" for further information regarding agreements between B+L and BHC.

Impacts of COVID-19 Pandemic

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

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

To date, Bausch + Lomb has been able to continue its operations with limited disruptions in supply and manufacturing. Although, it is difficult to predict the broad macroeconomic effects that the COVID-19 pandemic will have on industries or

individual companies, Bausch + Lomb has assessed the possible effects and outcomes of the pandemic on, among other things, its supply chain, customers and distributors, discounts and rebates, employee base, product sustainability, research and development efforts, product pipeline and consumer demand and currently believes that its estimates are reasonable.

Out of Period Adjustments

During the preparation of the Condensed Consolidated Financial Statements for the three months ended March 31, 2022, management identified immaterial prior period accounting misstatements related to the income tax impact of unrealized gains and losses of Bausch + Lomb's pension and postretirement benefit plan, which are included in Other comprehensive loss in the Condensed Consolidated Statements of Comprehensive Income and related to the impact of deferred taxes on the Condensed Consolidated Statements of Cash Flows. The misstatements resulted in an overstatement of Other comprehensive loss and of Net cash provided by operating activities of \$6 million and an overstatement of Net cash used in financing activities of \$6 million for the nine months ended September 30, 2021 and in an understatement of \$10 million of Accumulated other comprehensive loss in the Condensed Consolidated Balance Sheet as of December 31, 2021. Bausch + Lomb recorded out of period corrections for the misstatements during the nine months ended September 30, 2022, resulting in an out of period unrealized loss of \$10 million, reflected in the Pension and postretirement benefit plan adjustments, net of income taxes caption of its Condensed Consolidated Statements of Comprehensive Income (Loss). The out of period correction also resulted in a decrease in the Deferred income taxes caption and an offsetting increase in the Net Transfers to BHC caption of its Condensed Consolidated Statements of Cash Flows of \$10 million for the nine months ended September 30, 2022.

During the preparation of the Condensed Consolidated Financial Statements for the three months ended March 31, 2021, management identified immaterial prior period accounting misstatements related to the allocation of foreign exchange gains and losses reported in its financial statements. Bausch + Lomb recorded an out of period correction for the misstatements during the nine months ended September 30, 2021, resulting in out of period expense of \$6 million (\$4 million, net of income taxes) included in Foreign exchange and other in its Condensed Consolidated Statements of Operations for the nine months ended September 30, 2021. The misstatement did not impact Bausch + Lomb's Condensed Consolidated Balance Sheets or Condensed Consolidated Statements of Cash Flows.

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

Use of Estimates

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

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

3. REVENUE RECOGNITION

Revenue Recognition

Bausch + Lomb's revenues are primarily generated from product sales in the therapeutic areas of eye health that consist of: (i) branded prescription eye-medications and pharmaceuticals, (ii) generic and branded generic prescription eye medications and pharmaceuticals, (iii) OTC vitamin and supplement products and (iv) medical devices (contact lenses, intraocular lenses and

ophthalmic surgical equipment). Other revenues include alliance and service revenue from the licensing and co-promotion of products and contract service revenue. Contract service revenue is derived primarily from contract manufacturing for third parties and is not material. See Note 19, "SEGMENT INFORMATION" for the disaggregation of revenues which depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by the economic factors of each category of customer contracts.

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

Product Sales

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

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

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

Product Sales Provisions

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

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

The following tables present the activity and ending balances of Bausch + Lomb's variable consideration provisions for the nine months ended September 30, 2022 and 2021:

Nine Months Ended September 30, 2022						
<i>(in millions)</i>	Discounts and Allowances	Returns	Rebates	Chargebacks	Distribution Fees	Total
Reserve balance, January 1, 2022	\$ 167	\$ 60	\$ 195	\$ 29	\$ 17	\$ 468
Current period provision	245	52	403	330	17	1,047
Payments and credits	(256)	(57)	(390)	(291)	(7)	(1,001)
Reserve balance, September 30, 2022	<u>\$ 156</u>	<u>\$ 55</u>	<u>\$ 208</u>	<u>\$ 68</u>	<u>\$ 27</u>	<u>\$ 514</u>

Included in Rebates in the table above are cooperative advertising credits due to customers of approximately \$40 million and \$31 million as of September 30, 2022 and January 1, 2022, respectively, which are reflected as a reduction of Trade accounts receivable, net in the Condensed Consolidated Balance Sheets.

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

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

Contract Assets and Contract Liabilities

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

Allowance for Credit Losses

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

The activity in the allowance for credit losses for trade receivables for the nine months ended September 30, 2022 and 2021 is as follows:

<i>(in millions)</i>	2022	2021
Balance, beginning of period	\$ 16	\$ 17
Provision	2	3
Write-offs	(2)	(2)
Recoveries	—	1
Foreign exchange and other	2	(1)
Balance, end of period	<u>\$ 18</u>	<u>\$ 18</u>

4. RELATED PARTIES

Prior to May 10, 2022, Bausch + Lomb had been managed and operated in the ordinary course of business with other affiliates of BHC. Accordingly, certain corporate and shared costs prior to May 10, 2022 were allocated to Bausch + Lomb and reflected as expenses in the unaudited Condensed Consolidated Financial Statements. There have been no sales made to related parties for all periods presented.

Allocated Centralized Costs Prior to May 10, 2022

Prior to May 10, 2022, the unaudited Condensed Consolidated Financial Statements have been prepared on a standalone basis and were derived from the unaudited consolidated financial statements and accounting records of BHC. BHC incurred significant corporate costs for services it provided to Bausch + Lomb, as well as to other BHC businesses. The allocated corporate and shared costs to Bausch + Lomb for the nine months ended September 30, 2022 and 2021 were \$76 million and \$281 million, respectively. The allocated corporate and shared costs to Bausch + Lomb are included in Cost of goods sold (excluding amortization and impairments of intangible assets), Selling, general and administrative and Research and development in the Condensed Consolidated Statements of Operations. All such amounts have been deemed to have been incurred and settled by Bausch + Lomb in the period in which the costs were recorded and are included in Additional paid-in capital during the nine months ended September 30, 2022 and in BHC investment during the nine months ended September 30, 2021.

In the opinion of management of BHC and Bausch + Lomb, the expense and cost allocations have been determined on a basis considered to be a reasonable reflection of the utilization of services provided or the benefit received by Bausch + Lomb during the three and nine months ended September 30, 2022 and 2021. The amounts that would have been, or will be incurred, on a standalone basis could differ from the amounts allocated due to economies of scale, difference in management judgment, a requirement for more or fewer employees or other factors. In addition, the future results of operations, financial position and cash flows could differ materially from the historical results presented herein.

Accounts Receivable and Payable

Certain related party transactions between Bausch + Lomb and BHC have been included in Additional paid-in capital during the nine months ended September 30, 2022 and in BHC investment during the nine months ended September 30, 2021 when the related party transactions were not settled in cash.

Certain transactions between Bausch + Lomb and BHC and affiliate businesses are cash-settled on a current basis and, therefore, are reflected in the Condensed Consolidated Balance Sheets. Amounts payable to BHC and its affiliates related to related party transactions were \$20 million and \$6 million as of September 30, 2022 and December 31, 2021 respectively, and are included within Accounts payable in the Condensed Consolidated Balance Sheets. Amounts due from BHC and its affiliates related to related party transactions were \$82 million and \$32 million as of September 30, 2022 and December 31, 2021, respectively, of which \$0 and \$32 million are included within Trade receivables, net, \$70 million and \$0 are included within Prepaid expenses and other current assets and \$12 million and \$0 are included within Other non-current assets on the Condensed Consolidated Balance Sheets as of September 30, 2022 and December 31, 2021, respectively. These amounts are inclusive of the receivables and payables associated with the separation agreements entered into in connection with the B+L IPO, as discussed below.

BHC Pooled Financing Arrangements

Prior to the B+L IPO, certain legal entities comprising Bausch + Lomb participated in BHC pooled financing arrangements, which allowed for individual legal entities participating in the arrangements to borrow from the sponsoring bank. Total borrowings by the BHC pool participants was limited to the aggregate cash maintained in accounts held by the sponsoring bank. Net borrowings under BHC pooled financing arrangements from legal entities comprising Bausch + Lomb were \$28 million as of December 31, 2021. BHC held a net positive cash balance in this pool, as these borrowings were more than offset by cash held by other BHC owned legal entities, including legal entities which have commingled Bausch + Lomb and non-Bausch + Lomb activities. Cash from these commingled legal entities has generally not been included in Bausch + Lomb's Condensed Consolidated Balance Sheets as such cash is not specifically identifiable to Bausch + Lomb. These borrowings are presented on the Condensed Consolidated Balance Sheets within Accrued and other current liabilities and in the Cash Flows From Financing Activities section of the Condensed Consolidated Statements of Cash Flows as Net borrowings under BHC pooled financing arrangements. Interest incurred on such borrowings were not material for any period presented.

Net Transfers to BHC

The total effect of the settlement of related party transactions is reflected as a financing activity in the Condensed Consolidated Statements of Cash Flows. The components of the Net transfers to BHC for the three and nine months ended September 30, 2022 and 2021 are as follows:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cash pooling and general financing activities	\$ 2	\$ (401)	\$ (227)	\$ (1,159)
Corporate allocations	—	91	76	281
Benefit from income taxes	—	(29)	66	285
Total net transfers to BHC (as reflected in the Condensed Consolidated Statements of Equity)	\$ 2	\$ (339)	(85)	(593)
Payment of BHC Purchase Debt			(2,200)	—
Share-based compensation			(16)	(45)
Other, net			(62)	(27)
Net transfers to BHC (as reflected in the Condensed Consolidated Statements of Cash Flows)			\$ (2,363)	\$ (665)

Repayment of BHC Purchase Debt and Return of Capital

On January 1, 2022, in anticipation of the B+L IPO, Bausch + Lomb issued a \$2,200 million promissory note to BHC (the “BHC Purchase Debt”) in conjunction with a legal reorganization. The BHC Purchase Debt had an original maturity of two years and, interest at the rate of 3.625% per annum. On May 1, 2022, the Company entered into an addendum to amend the interest rate of the BHC Purchase Debt to a rate of 6.000% per annum. The cumulative catch-up for this amendment to the interest rate was recorded in the Condensed Consolidated Statements of Operations as part of Interest Expense, during the three months ended June 30, 2022. On May 10, 2022, Bausch + Lomb made payments to BHC of: (i) \$2,200 million in full satisfaction of the BHC Purchase Debt and (ii) \$229 million in return of capital using the proceeds from the Term Facility (as defined in Note 10, “CREDIT FACILITIES”) and cash on hand. Included in Interest expense in the Condensed Consolidated Statements of Operations for the nine months ended September 30, 2022 was \$47 million of interest attributed to the BHC Purchase Debt.

Separation Agreement with BHC

In connection with the completion of the B+L IPO, the Company entered into the MSA, that, together with the other agreements summarized herein, govern the relationship between BHC and the Company following the completion of the B+L IPO.

Other agreements that the Company entered into with BHC that govern aspects of Bausch + Lomb’s relationship with BHC following the B+L IPO include:

- **Transition Services Agreement** - In connection with the completion of the B+L IPO, Bausch + Lomb has entered into the TSA with BHC to provide each other, on a transitional basis, certain administrative, human resources, treasury and support services and other assistance, for a limited time to help ensure an orderly transition following the B+L IPO. The TSA specifies the calculation of Bausch + Lomb costs for these services. Under the TSA, Bausch + Lomb will receive certain services from BHC, including information technology services, technical and engineering support, application support for operations, legal, payroll, finance, tax and accounting, general administrative services and other support services, and will also provide certain similar services to BHC. Individual services provided under the TSA are scheduled for a specific period, generally ranging from six to twelve months, depending on the nature of the services.
- **Tax Matters Agreement** - In connection with the completion of the B+L IPO, Bausch + Lomb has entered into a Tax Matters Agreement with BHC that governs the parties’ respective rights, responsibilities and obligations with respect to tax liabilities and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings and other matters regarding taxes following the B+L IPO.
- **Employee Matters Agreement** - In connection with the completion of the B+L IPO, Bausch + Lomb has entered into an Employee Matters Agreement with BHC that governs, among other things, the allocation of employee-related liabilities, the mechanics for the transfer of Bausch + Lomb employees, the treatment of outstanding equity awards and the treatment of Bausch + Lomb employees’ participation in BHC’s retirement and health and welfare plans.

In addition to the previously discussed agreements, Bausch + Lomb has entered into certain other agreements with BHC including, but not limited to, the Intellectual Property Matters Agreement and the Real Estate Matters Agreement that provide a framework for the ongoing relationship with BHC.

Charges incurred related to the above agreements were \$6 million for the nine months ended September 30, 2022, and are primarily reflected within Selling, general and administrative in the Condensed Consolidated Statements of Operations.

5. LICENSING AGREEMENTS

Licensing Agreements

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

6. FAIR VALUE MEASUREMENTS

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

- Level 1 — Quoted prices in active markets for identical assets or liabilities;
- Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using discounted cash flow methodologies, pricing models, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

<i>(in millions)</i>	September 30, 2022				December 31, 2021			
	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Assets:								
Cash equivalents	\$ 12	\$ 1	\$ 11	\$ —	\$ 12	\$ —	\$ 12	\$ —
Foreign currency exchange contracts	\$ 1	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —
Cross-currency swaps	\$ 14	\$ —	\$ 14	\$ —	\$ —	\$ —	\$ —	\$ —
Liabilities:								
Acquisition-related contingent consideration	\$ 4	\$ —	\$ —	\$ 4	\$ 9	\$ —	\$ —	\$ 9
Foreign currency exchange contracts	\$ 2	\$ —	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ —

Cash equivalents consist of highly liquid investments, primarily money market funds, with maturities of three months or less when purchased, and are reflected in the Condensed Consolidated Balance Sheets at carrying value, which approximates fair value due to their short-term nature.

There were no transfers into or out of Level 3 during the nine months ended September 30, 2022 and 2021.

Cross-currency Swaps

During the third quarter of 2022, the Company entered into cross-currency swaps, with an aggregate notional value of \$1,000 million, to mitigate fluctuation in the value of a portion of its euro-denominated net investment in its Condensed Consolidated Financial Statements from fluctuation in exchange rates. The euro-denominated net investment being hedged is the Company's investment in certain euro-denominated subsidiaries. Prior to the third quarter of 2022, the Company had no cross-currency swaps for any period presented.

The accounting for changes in the fair value of a derivative instrument depends on whether the instrument has been designated and qualifies as part of a hedging relationship and on the type of hedging relationship. For derivative instruments designated and qualifying as hedging instruments, the hedging instrument must be designated, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of the foreign currency exposure of a net investment in a foreign operation. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in the Condensed Consolidated Statements of Operations during the current period.

The Company's cross-currency swaps qualify for and have been designated as a hedge of the foreign currency exposure of a net investment in a foreign operation and are remeasured at each reporting date to reflect changes in their fair values. The fair value is determined via a mark-to-market analysis, using observable (Level 2) inputs. These inputs may include: (i) the foreign currency exchange spot rate between the euro and U.S. dollar, (ii) the interest rate yield curves in the euro and U.S. dollar and (iii) the credit risk rating for each applicable counterparty. The net change in fair value of cross-currency swaps is reported as a gain or loss in the Condensed Consolidated Statements of Comprehensive Income (Loss) as part of Foreign currency translation adjustment to the extent they are effective, and remain in Accumulative Comprehensive Income (Loss) until either the sale or complete, or substantially complete, liquidation of the subsidiary. No portion of the cross-currency swaps were ineffective for the three and nine months ended September 30, 2022. The Company uses the spot method of assessing hedge effectiveness. The Company has elected to amortize amounts excluded from the assessment of effectiveness over the term of its cross-currency swaps as Interest expense in the Condensed Consolidated Statements of Operations.

The assets and liabilities associated with the Company's cross-currency swaps as included in the Condensed Consolidated Balance Sheets as of September 30, 2022 and December 31, 2021 are as follows:

<i>(in millions)</i>	September 30, 2022	December 31, 2021
Other non-current assets	\$ 11	\$ —
Prepaid expenses and other current assets	\$ 3	\$ —
Net fair value	\$ 14	\$ —

The following table presents the effect of hedging instruments on the Condensed Consolidated Statements of Comprehensive Loss and the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2022 and 2021:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Gain recognized in Other comprehensive loss	\$ 11	\$ —	\$ 11	\$ —
Gain excluded from assessment of hedge effectiveness	\$ 3	\$ —	\$ 3	\$ —
Location of gain of excluded component	Interest Expense		Interest Expense	

Interest settlement of the Company's cross-currency swaps occurs in January and July each year, with the first settlement to occur in January 2023. Interest settlements of the Company's cross-currency swaps will be reported as investing activities in the Condensed Consolidated Statements of Cash Flows.

Foreign Currency Exchange Contracts

The Company enters into foreign currency exchange contracts to economically hedge the foreign exchange exposure on certain of the Company's intercompany balances. As of September 30, 2022, these contracts had an aggregate notional amount of \$184 million.

The fair value of the Company's foreign currency exchange contracts liability as of September 30, 2022 was \$1 million. Included in Accrued and other current liabilities are \$2 million and included in Prepaid expenses and other current assets are \$1 million of foreign currency exchange contracts. The fair value as of December 31, 2021 was not material. During the nine months ended September 30, 2022 and 2021, the net change in fair value was a loss of \$1 million and \$1 million, respectively. Settlements of the Company's foreign currency exchange contracts are reported as a gain or loss in the Condensed Consolidated Statements of Operations as part of Foreign exchange and other and reported as operating activities in the Condensed Consolidated Statements of Cash Flows. During the nine months ended September 30, 2022 and 2021, Bausch + Lomb reported a realized loss of \$7 million and a loss of \$1 million, respectively, related to settlements of the Company's foreign currency exchange contracts.

Fair Value of Long-term Debt

The fair value of long-term debt as of September 30, 2022 was \$2,319 million, and was estimated using the quoted market prices for the same or similar debt issuances (Level 2).

7. INVENTORIES

Inventories, net consist of:

<i>(in millions)</i>	September 30, 2022	December 31, 2021
Raw materials	\$ 151	\$ 147
Work in process	50	34
Finished goods	404	391
	<u>\$ 605</u>	<u>\$ 572</u>

8. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

The major components of intangible assets consist of:

<i>(in millions)</i>	September 30, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization and Impairments	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization and Impairments	Net Carrying Amount
Finite-lived intangible assets:						
Product brands	\$ 2,567	\$ (2,284)	\$ 283	\$ 2,656	\$ (2,209)	\$ 447
Corporate brands	12	(7)	5	12	(6)	6
Product rights/patents	987	(905)	82	995	(882)	113
Technology and other	65	(65)	—	62	(62)	—
Total finite-lived intangible assets	<u>3,631</u>	<u>(3,261)</u>	<u>370</u>	<u>3,725</u>	<u>(3,159)</u>	<u>566</u>
B&L Trademark	1,698	—	1,698	1,698	—	1,698
	<u>\$ 5,329</u>	<u>\$ (3,261)</u>	<u>\$ 2,068</u>	<u>\$ 5,423</u>	<u>\$ (3,159)</u>	<u>\$ 2,264</u>

Long-lived assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment charges associated with these assets are included in Other expense, net in the Condensed Consolidated Statements of Operations. Bausch + Lomb 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 were \$1 million and \$11 million during the nine months ended September 30, 2022 and 2021, respectively, related to the discontinuance of certain product lines.

Estimated amortization expense of finite-lived intangible assets for the remainder of 2022 and the five succeeding years ending December 31 and thereafter are as follows:

<i>(in millions)</i>	Remainder of 2022	2023	2024	2025	2026	2027	Thereafter	Total
Amortization	\$ 55	\$ 175	\$ 84	\$ 38	\$ 5	\$ 3	\$ 10	\$ 370

Goodwill

The changes in the carrying amounts of goodwill during the nine months ended September 30, 2022 and the year ended December 31, 2021 were as follows:

<i>(in millions)</i>	Bausch + Lomb	Vision Care	Ophthalmic Pharmaceuticals	Surgical	Total
Balance, January 1, 2021	\$ 4,685	\$ —	\$ —	\$ —	\$ 4,685
Realignment of segment goodwill	(4,685)	3,674	689	322	—
Foreign exchange and other	—	(78)	(14)	(7)	(99)
Balance, December 31, 2021	—	3,596	675	315	4,586
Foreign exchange and other	—	(62)	(95)	(14)	(171)
Balance, September 30, 2022	<u>\$ —</u>	<u>\$ 3,534</u>	<u>\$ 580</u>	<u>\$ 301</u>	<u>\$ 4,415</u>

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. Bausch + Lomb performs its annual impairment test by first assessing qualitative factors. Where the qualitative assessment suggests that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative fair value test is performed for that reporting unit (Step 1).

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

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

Second Quarter 2021 - Realignment of Segments

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

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

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

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

2021 Annual Goodwill Impairment Test

The Company conducted its annual goodwill impairment test as of October 1, 2021 by first assessing qualitative factors. Based on its qualitative assessment as of October 1, 2021, management believed that, it was more likely than not that the carrying amounts of its reporting units were less than their respective fair values and therefore concluded a quantitative fair value test for any of its reporting units was not required.

June 30, 2022 Interim Goodwill Impairment Assessment

During the three months ended June 30, 2022, management concluded that the change in the Company's stock price, driven by overall macroeconomic conditions, such as the volatility in equity markets and interest rates, could result in a decline in the fair value of its reporting units. Therefore, as of June 30, 2022, management performed quantitative fair value tests for each of its three reporting units. The quantitative fair value test utilized the Company's most recent cash flow projections and utilized long-term growth rates of 2% and 3% and discount rates of 9.0% and 11.5%. After completing the testing, the fair value of each of these reporting units exceeded its carrying value by more than 25%, and, therefore, there was no impairment to goodwill.

September 30, 2022 Interim Goodwill Impairment Assessment

No events occurred or circumstances changed during the period from June 30, 2022 (the last time goodwill was tested for all reporting units) through September 30, 2022 that would indicate that the fair value of any reporting unit might be below its carrying value. If market conditions deteriorate, if the factors and circumstances regarding the COVID-19 pandemic escalate beyond management's current expectations, or if the Company is unable to execute its strategies, it may be necessary to record impairment charges in the future.

There were no goodwill impairment charges through September 30, 2022.

9. ACCRUED AND OTHER CURRENT LIABILITIES

Accrued and other current liabilities consist of:

<i>(in millions)</i>	September 30, 2022	December 31, 2021
Product rebates	\$ 168	\$ 164
Employee compensation and benefit costs	175	204
Discounts and allowances	82	88
Product returns	55	60
Net borrowings under BHC pooled financing arrangements (Note 4)	—	28
Other	399	316
	<u>\$ 879</u>	<u>\$ 860</u>

10. CREDIT FACILITIES

On May 10, 2022, Bausch + Lomb entered into a credit agreement (the "Credit Agreement", and the credit facilities thereunder, the "Credit Facilities") providing for a term loan of \$2,500 million with a five-year term to maturity (the "Term Facility") and a five-year revolving credit facility of \$500 million (the "Revolving Credit Facility"). The 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 loan is 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 September 30, 2022, the principal amount outstanding under the Term Facility was \$2,494 million and \$2,438 million net of issuance costs. As of September 30, 2022, the Company had no outstanding borrowings, \$9 million of issued and outstanding letters of credit and remaining availability of \$491 million under its Revolving Credit Facility.

Borrowings under the Revolving Credit Facility in: (i) U.S. dollars bear interest at a rate per annum equal to, at Bausch + Lomb's option, either: (a) a term Secured Overnight Financing Rate ("SOFR")-based rate or (b) a U.S. dollar base rate, (ii) Canadian dollars bear interest at a rate per annum equal to, at Bausch + Lomb's option, either: (a) Canadian Dollar Offered Rate ("CDOR") or (b) a Canadian dollar prime rate, (iii) euros bear interest at a rate per annum equal to EURIBOR and (iv) pounds sterling bear interest at a rate per annum equal to Sterling Overnight Index Average ("SONIA") (provided, however, that the term SOFR-based rate, CDOR, EURIBOR and SONIA shall be no less than 0.00% per annum at any time and the U.S. dollar base rate and the Canadian dollar prime rate shall be no less than 1.00% per annum at any time), in each case, plus an applicable margin. Term SOFR-based loans are subject to a credit spread adjustment of 0.10%.

The applicable interest rate margins for borrowings under the 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 SOFR, EURIBOR, SONIA or CDOR 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 Term 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 SOFR, EURIBOR, SONIA or CDOR 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 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 SOFR borrowings under the 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 Term Facility bear interest at a rate per annum equal to, at Bausch + Lomb's option, either (i) a term SOFR-based rate, plus an applicable margin of 3.25% or (ii) a U.S. dollar base rate, plus an applicable margin of 2.25% (provided, however, that the term SOFR-based rate shall be no less than 0.50% per annum at any time and the U.S. dollar base rate shall not be lower than 1.50% per annum at any time). Term SOFR-based loans are subject to a credit spread adjustment of 0.10%. The stated rate of interest under the Term Facility at September 30, 2022 was 6.10% per annum.

Subject to certain exceptions and customary baskets set forth in the Credit Agreement, Bausch + Lomb is required to make mandatory prepayments of the loans under the 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 Credit Agreement), (iii) 50% of Excess Cash Flow (as defined in the 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 Term Facility is 1.00% per annum, or \$25 million, payable in quarterly installments. Bausch + Lomb may direct that prepayments be applied to such amortization payments in order of maturity. As of September 30, 2022, the remaining mandatory quarterly amortization payments for the Term Facility were \$113 million through March 2027, with the remaining term loan balance being due in May 2027.

Covenant Compliance

The Credit Facilities contain customary affirmative and negative covenants and specified events of default. These affirmative and negative covenants include, among other things, and subject to certain qualifications and exceptions, covenants that restrict Bausch + Lomb's ability and the ability of its subsidiaries to: incur or guarantee additional indebtedness; create or permit liens on assets; pay dividends on capital stock or redeem, repurchase or retire capital stock or subordinated indebtedness; make certain investments and other restricted payments; engage in mergers, acquisitions, consolidations and

amalgamations; transfer and sell certain assets; and engage in transactions with affiliates. The Revolving Credit Facility also contains financial covenants that (1) prior to the IG Trigger, require Bausch + Lomb to, if, as of the last day of any fiscal quarter of Bausch + Lomb (commencing with the fiscal quarter ending December 31, 2022), loans under the Revolving Credit Facility and swingline loans are outstanding in an aggregate amount greater than 40% of the total commitments in respect of the Revolving Credit Facility at such time, maintain a maximum first lien net leverage ratio of not greater than 4.50:1.00 and (2) after the IG Trigger, require Bausch + Lomb to, as of the last day of each fiscal quarter ending after the IG Trigger, (a) maintain a total leverage ratio of not greater than 4.00:1.00 (provided that such ratio will increase to 4.50:1.00 in connection with certain acquisitions for the four fiscal quarter period commencing with the quarter in which such acquisition is consummated) and (b) maintain an interest coverage ratio of not less than 3.00:1.00. The financial covenant in effect prior to the IG Trigger may be waived or amended without the consent of the term loan facility lenders and contains a customary term loan facility standstill and customary cure rights.

As of September 30, 2022, the Company was in compliance with its financial covenant related to its debt obligations. Bausch + Lomb, based on its current forecast for the next twelve months from the date of issuance of these financial statements, expects to remain in compliance with its financial covenant and meet its debt service obligations over that same period.

11. PENSION AND POSTRETIREMENT EMPLOYEE BENEFIT PLANS

Bausch + Lomb has defined benefit plans and a participatory defined benefit postretirement medical and life insurance plan, which covers a closed grandfathered group of legacy U.S. employees and employees in certain other countries. Net periodic (benefit) cost for Bausch + Lomb's defined benefit pension plans and postretirement benefit plan for the nine months ended September 30, 2022 and 2021 consists of:

<i>(in millions)</i>	Pension Benefit Plans				Postretirement Benefit Plan	
	U.S. Plan		Non-U.S. Plans		2022	2021
	2022	2021	2022	2021		
Service cost	\$ 1	\$ 1	\$ 2	\$ 2	\$ —	\$ —
Interest cost	3	3	2	2	1	—
Expected return on plan assets	(7)	(8)	(4)	(4)	—	—
Amortization of prior service credit and other	—	—	—	(1)	(2)	(2)
Amortization of net loss	—	—	1	1	—	—
Net periodic (benefit) cost	<u>\$ (3)</u>	<u>\$ (4)</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ (2)</u>

12. SHARE-BASED COMPENSATION

BHC Long-term Incentive Program

Prior to May 5, 2022, Bausch + Lomb employees participated in BHC's long-term incentive program. Therefore, prior to May 5, 2022, share-based compensation expense attributable to Bausch + Lomb was derived from: (i) the specific identification of Bausch + Lomb employees and (ii) an allocation of charges from BHC, related to BHC employees providing corporate services to Bausch + Lomb. Accordingly, the amounts presented are not necessarily indicative of future awards and do not necessarily reflect the results that Bausch + Lomb would have experienced as an independent company for the periods presented.

Bausch + Lomb 2022 Omnibus Incentive Plan

Effective May 5, 2022, Bausch + Lomb established the Bausch + Lomb Corporation 2022 Omnibus Incentive Plan (the "Plan"). A total of 28,000,000 common shares of Bausch + Lomb are authorized under the Plan. The Plan provides for the grant of various types of awards including restricted stock units ("RSUs"), stock appreciation rights, stock options, performance-based awards and cash awards. Under the Plan, the exercise price of awards, if any, is set on the grant date and may not be less than the fair market value per share on that date. Generally, stock options have a term of ten years and a three-year vesting period, subject to limited exceptions.

On May 5, 2022, in connection with the B+L IPO, Bausch + Lomb granted certain awards to certain eligible recipients (the "IPO Founder Grants"). Eligible recipients are individuals employed by Bausch + Lomb or employed by an affiliate of Bausch + Lomb. Approximately 3,900,000 IPO Founder Grants were issued to Bausch + Lomb executive officers and were awarded 50% in the form of stock options and 50% in the form of RSUs. Additionally, Bausch + Lomb granted approximately 5,700,000 stock options and RSUs to non-executive eligible recipients, of which approximately 4,300,000 were IPO Founder Grants. The IPO Founder options have a three-year graded vesting period and the IPO Founder RSUs vest 50% in the second year and 50% in the third year after the grant. With the exception of the separation agreement and

retention program, as discussed below, vesting of the IPO Founder Grants are linked to the completion of the Separation and expense recognition will begin near the time of the separation.

On July 19, 2022, the Company entered into a separation agreement in connection with the departure of the Company's CEO. Under the terms of the separation agreement, the CEO's IPO Founder Grants in the form of RSUs will vest upon his termination of service date (pro-rated based on his period of service relative to the original three year vesting period associated with such grants), but the shares received upon settlement will remain fully restricted and nontransferable until the earliest to occur of the Distribution Date (as defined in the MSA), a Change in Control (as defined in the MSA), the date the Board of Directors of the Company (the "Board") determines that the Company will no longer pursue a Distribution (as defined in the MSA), and the two-year anniversary of the CEO's termination of service date. Under the terms of the separation agreement, the CEO's IPO Founder Grants in the form of stock options will vest and become exercisable (pro-rated based on his period of service relative to the original three year vesting period associated with such grants) upon the earliest to occur of the Distribution Date (as defined in the MSA), a Change in Control (as defined in the MSA), the date the Board determines that the Company will no longer pursue a Distribution (as defined in the MSA), and the two-year anniversary of the CEO's termination of service date and will remain exercisable for two years following this date.

During the third quarter of 2022, the Talent and Compensation Committee of the Board approved a retention program that includes the Company's named executive officers (other than the CEO) and certain other employees. This program provides these executive officers (other than the CEO) for, among other benefits, pro-rata vesting of the IPO Founder Grants previously issued to these named executives, subject to certain restrictions, in the event of an involuntary termination of employment by the Company without "cause" or the employee's resignation for "good reason", in each case through the one-year following the Company's appointment of the successor to the CEO (pro-rated based on the period of service relative to the original three-year vesting period associated with such grants). Additionally, these named executive officers (other than the CEO) and certain other employees were granted a one-time award of approximately 850,000 RSUs under the retention program pursuant to the Company's 2022 Omnibus Incentive Plan. The retention grant will generally vest in 1/3 installments on each of the first three anniversaries of the grant date based on continuous employment with the Company.

Approximately 17,500,000 common shares were available for future grants as of September 30, 2022. Bausch + Lomb uses reserved and unissued common shares to satisfy its obligations under its share-based compensation plans.

The components and classification of share-based compensation expense related to stock options and RSUs directly attributable to those employees specifically identified as Bausch + Lomb employees for the three and nine months ended September 30, 2022 and 2021 were as follows:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Stock options	\$ 1	\$ 1	\$ 3	\$ 2
RSUs	17	8	36	26
Share-based compensation expense	<u>\$ 18</u>	<u>\$ 9</u>	<u>\$ 39</u>	<u>\$ 28</u>
Research and development expenses	\$ 1	\$ 1	\$ 5	\$ 5
Selling, general and administrative expenses	17	8	34	23
Share-based compensation expense	<u>\$ 18</u>	<u>\$ 9</u>	<u>\$ 39</u>	<u>\$ 28</u>

In addition to share-based compensation expense attributable to employees that are specific to Bausch + Lomb's business, share-based compensation expense also includes \$6 million and \$17 million for the nine months ended September 30, 2022 and 2021 respectively, of allocated charges from BHC, based on revenues, related to BHC employees providing corporate services to Bausch + Lomb.

Share-based awards granted for the nine months ended September 30, 2022 consist of:

Stock options	
Granted	6,455,000
Weighted-average exercise price	\$ 18.00
Weighted-average grant date fair value	\$ 4.55
Time-based RSUs	
Granted	4,205,000
Weighted-average grant date fair value	\$ 17.22

As of September 30, 2022, the remaining unrecognized compensation expenses related to all outstanding non-vested stock options, time-based RSUs and performance-based RSUs amounted to \$72 million, which will be amortized over a weighted-average period of 1.64 years.

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss consists of:

<i>(in millions)</i>	September 30, 2022	December 31, 2021
Foreign currency translation adjustment	\$ (1,365)	\$ (1,018)
Pension adjustment, net of tax	(21)	(17)
	<u>\$ (1,386)</u>	<u>\$ (1,035)</u>

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

14. RESEARCH AND DEVELOPMENT

Included in Research and development are costs related to product development and quality assurance programs. Quality assurance are the costs incurred to meet evolving customer and regulatory standards. Research and development costs for the three and nine months ended September 30, 2022 and 2021 consist of:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Product related research and development	\$ 71	\$ 60	\$ 212	\$ 190
Quality assurance	6	3	17	11
Research and development	<u>\$ 77</u>	<u>\$ 63</u>	<u>\$ 229</u>	<u>\$ 201</u>

15. OTHER EXPENSE, NET

Other expense, net consists of:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Asset impairments	\$ 1	\$ 8	\$ 1	\$ 11
Restructuring, integration and separation costs	5	—	11	1
Acquired in-process research and development costs	1	—	1	1
Acquisition-related contingent consideration	—	—	(5)	—
Other expense, net	<u>\$ 7</u>	<u>\$ 8</u>	<u>\$ 8</u>	<u>\$ 13</u>

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

16. INCOME TAXES

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

Provision for income taxes for the nine months ended September 30, 2022 was \$60 million. The difference between the statutory tax rate and the effective tax rate was primarily attributable to jurisdictional mix of earnings and discrete tax effects of the filing of certain tax returns and a change in the deduction for stock compensation. Provision for income taxes for the nine months ended September 30, 2021 was \$93 million. The difference between the statutory tax rate and effective tax rate was primarily attributable to jurisdictional mix of earnings and discrete tax effects of internal restructurings.

The Company records valuation allowance against its deferred tax assets to reduce the net carrying value to an amount that it believes is more likely than not to be realized. When the Company establishes or reduces the valuation allowance against its deferred tax assets, the provision for income taxes will increase or decrease, respectively, in the period such determination is made. The valuation allowance against deferred tax assets was \$54 million and \$53 million as of September 30, 2022 and December 31, 2021, respectively.

On August 16, 2022, US President Joseph Biden signed the Inflation Reduction Act (the "IRA") into law, which includes implementation of a new alternative minimum tax, an excise tax on stock buybacks, and significant tax incentives for energy and climate initiatives, among other provisions. The corporate alternative minimum tax ("CAMT") imposes a minimum tax on the adjusted financial statement income ("AFSI") for "applicable corporations" with average annual AFSI over a three-year period in excess of \$1 billion. A corporation that is a member of a foreign-parented multinational group, as defined in the IRA, must include the AFSI (with certain modifications) of all members of the group in applying the \$1 billion test, but would only be subject to CAMT if the three-year average AFSI of its US members, US trades or business of foreign group members that are not subsidiaries of US members, and foreign subsidiaries of US members exceeds \$100 million. The Company is currently considered a member of BHC's foreign-parented multinational group and the Company's "applicable corporations" would be combined with that of BHC's "applicable corporations" to determine the applicability of the CAMT. The Company currently does not believe this will have a significant impact on its tax results, but will continue to evaluate the law and its potential impacts.

The Company's U.S. affiliates remain under examination for various state tax audits in the U.S. for years 2015 through 2020.

The Company's subsidiaries in Germany are under audit for tax years 2014 through 2016. At this time, the Company does not expect that proposed adjustments, if any, would be material to the Company's Consolidated Financial Statements. Any liability to arise from this audit would be indemnified by BHC.

As of September 30, 2022 and December 31, 2021 the Company had \$58 million and \$72 million of unrecognized tax benefits, which included \$10 million and \$10 million of interest and penalties, respectively. Of the total unrecognized tax benefits as of September 30, 2022, \$54 million would reduce the Company's effective tax rate, if recognized. The Company believes that it is reasonably possible that the total amount of unrecognized tax benefits at September 30, 2022 could decrease by an immaterial amount in the next 12 months as a result of the resolution of certain tax audits and other events.

17. EARNINGS PER SHARE

On April 28, 2022, Bausch + Lomb effected a share consolidation as a result of which it had 350,000,000 issued and outstanding common shares. These common shares are treated as issued and outstanding at January 1, 2021 for purposes of calculating Basic and diluted (loss) income per share attributable to Bausch + Lomb Corporation.

Income per share attributable to Bausch + Lomb Corporation were calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<i>(in millions, except per share amounts)</i>				
Net (loss) income attributable to Bausch + Lomb Corporation	\$ (18)	\$ 60	\$ 7	\$ 131
Basic weighted-average common shares outstanding	350.0	350.0	350.0	350.0
Diluted effect of stock options and RSUs	—	—	0.1	—
Diluted weighted-average common shares outstanding	\$ 350.0	\$ 350.0	\$ 350.1	\$ 350.0
(Loss) Earnings per share attributable to Bausch + Lomb Corporation				
Basic	(0.05)	0.17	0.02	0.37
Diluted	(0.05)	0.17	0.02	0.37

During the three months ended September 30, 2022, all potential common shares issuable for stock options and RSUs were excluded from the calculation of diluted loss per share, as the effect of including them would have been anti-dilutive. The dilutive effect of potential common shares issuable for stock options and RSUs on the weighted-average number of common shares outstanding would have been approximately 155,500 common shares for the three months ended September 30, 2022.

During the three months ended September 30, 2022, time-based RSUs, performance-based RSUs and stock options to purchase approximately 2,729,000 common shares were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive under the treasury stock method. During the three months ended September 30, 2022, an additional 5,417,000 performance-based RSUs were not included in the computation of diluted earnings per share as the required performance conditions had not been met. There were no dilutive equity instruments or equity awards outstanding prior to the B+L IPO.

18. LEGAL PROCEEDINGS

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

On a quarterly basis, Bausch + Lomb evaluates developments in legal proceedings, potential settlements and other matters that could increase or decrease the amount of the liability accrued. As of September 30, 2022, Bausch + Lomb's Condensed Consolidated Balance Sheets includes accrued current loss contingencies of \$2 million related to matters which are both probable and reasonably estimable. For all other matters, unless otherwise indicated, Bausch + Lomb cannot reasonably predict the outcome of these legal proceedings, nor can it estimate the amount of loss, or range of loss, if any, that may result from these proceedings. An adverse outcome in certain of these proceedings could have a material adverse effect on Bausch + Lomb's business, financial condition and results of operations, and could cause the market value of its common shares and/or debt securities to decline.

Antitrust

Generic Pricing Antitrust Litigation

BHC's subsidiaries, Oceanside Pharmaceuticals, Inc. ("Oceanside"), Bausch Health US, LLC (formerly Valeant Pharmaceuticals North America LLC) ("Bausch Health US"), and Bausch Health Americas, Inc. (formerly Valeant Pharmaceuticals International) ("Bausch Health Americas") (for the purposes of this paragraph, collectively, the "Company"), are defendants in multidistrict antitrust litigation ("MDL") entitled In re: Generic Pharmaceuticals Pricing Antitrust Litigation, pending in the U.S. District Court for the Eastern District of Pennsylvania (MDL 2724, 16 MD-2724). The lawsuits seek damages under federal and state antitrust laws, state consumer protection and unjust enrichment laws and allege that the Company's subsidiaries entered into a conspiracy to fix, stabilize, and raise prices, rig bids and engage in market and customer allocation for generic pharmaceuticals. The lawsuits, which have been brought as putative class actions by direct purchasers, end payers, and indirect resellers, and as direct actions by direct purchasers, end payers, insurers, States, and various Counties, Cities, and Towns, have been consolidated into the MDL. There are also additional, separate complaints which have been consolidated in the same MDL that do not name the Company or any of its subsidiaries as a defendant. There are cases pending in the Court of Common Pleas of Philadelphia County against the Company and other

defendants related to the multidistrict litigation, but no complaint has been filed in these cases. The cases have been put in deferred status. The Company disputes the claims against it and these cases will be defended vigorously.

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

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

PreserVision® AREDS 2 Antitrust Litigation

Bausch & Lomb Incorporated (“B&L Inc.”) is a defendant in an antitrust suit filed by a competitor on December 20, 2021, in the United States District Court for the Eastern District of Missouri (ZeaVision, LLC v. Bausch & Lomb Incorporated, et al., Civil Action No. 4:21-cv-01487). The complaint alleged various antitrust and Lanham act claims. After B&L Inc. moved to dismiss, the original complaint, on March 4, 2022, ZeaVision filed its First Amended Complaint, dismissing B&L Inc.’s co-defendant and its conspiracy to monopolize claim. The First Amended Complaint alleges that B&L Inc.’s efforts to enforce its patents constitutes objectively baseless sham litigation, that certain B&L Inc. advertising is false and violates antitrust laws and makes allegations related to monopolization. It also includes a false advertising claim under the Lanham Act. On April 1, 2022, B&L Inc. filed a motion to dismiss, or in the alternative, to stay or transfer the First Amended Complaint. ZeaVision’s opposition to the motion to dismiss was filed on May 31, 2022, and B&L Inc.’s reply in support of its motion to dismiss was filed on July 1, 2022. In conjunction with its Opposition to B&L’s motion to dismiss, ZeaVision also filed a motion for leave to conduct jurisdictional discovery limited to the issue of personal jurisdiction. B&L’s opposition was filed on July 1, 2022, and ZeaVision’s reply in support was filed on July 8, 2022. A hearing on both motions was held on July 11, 2022. The Court took the motions under advisement and a decision is pending.

In September, ZeaVision filed a notice of supplemental authority, alerting the Court that B+L’s patent case that had previously been pending in the W.D.N.Y was transferred to the E.D. Mo. B+L filed a response shortly thereafter informing the Court that the patent case’s transfer does not have any bearing on several of the bases upon which the Court should dismiss ZeaVision’s case and reiterating that the court should grant B+L’s motion. B&L Inc. disputes the claims against it and will defend the cases vigorously.

Product Liability

Shower to Shower® Products Liability Litigation

Since 2016, BHC has been named in a number of product liability lawsuits involving the Shower to Shower® body powder product acquired in September 2012 from Johnson & Johnson; due to dismissals, twenty-six (26) of such product liability suits currently remain pending. In three (3) cases pending in the Atlantic County, New Jersey Multi-County Litigation, agreed stipulations of dismissal have been entered by the Court, thus dismissing the Company from those cases. Potential liability (including its attorneys’ fees and costs) arising out of these remaining suits is subject to full indemnification obligations of Johnson & Johnson owed to BHC and its affiliates, including Bausch + Lomb, and legal fees and costs will be paid by Johnson & Johnson. Twenty-five (25) of these lawsuits filed by individual plaintiffs allege that the use of Shower to Shower® caused the plaintiffs to develop ovarian cancer, mesothelioma or breast cancer. The allegations in these cases include failure to warn, design defect, manufacturing defect, negligence, gross negligence, breach of express and implied warranties, civil conspiracy concert in action, negligent misrepresentation, wrongful death, loss of consortium and/or punitive damages. The damages sought include compensatory damages, including medical expenses, lost wages or earning capacity, loss of consortium and/or compensation for pain and suffering, mental anguish anxiety and discomfort, physical impairment and loss of enjoyment of life. Plaintiffs also seek pre- and post-judgment interest, exemplary and punitive damages, and attorneys’ fees. Additionally, two proposed class actions have been filed in Canada against BHC and various Johnson & Johnson entities (one in the Supreme Court of British Columbia and one in the Superior Court of Quebec), on behalf of persons who have purchased or used Johnson & Johnson’s Baby Powder or Shower to Shower®. The class actions allege the use of the product increases certain health risks (British Columbia) or negligence in failing to properly test, failing to warn of health risks, and failing to remove the products from the market in a timely manner (Quebec). The plaintiffs in these actions are seeking awards of general, special, compensatory and punitive damages. On November 17, 2020, the British Columbia court issued a judgment declining to certify a class as to BHC or Shower to Shower®, and at this time no appeal of that judgment

has been filed. On December 16, 2021, the plaintiff in the British Columbia class action filed a Second Amended Notice of Civil Claim and Application for Certification, removing BHC as a defendant; as a result, the British Columbia class action is concluded as to BHC.

Johnson & Johnson, through one or more subsidiaries has purported to have completed a Texas divisional merger with respect to any talc liabilities at Johnson & Johnson Consumer, Inc. ("JJCI"). LTL Management, LLC ("LTL"), the resulting entity of the divisional merger, assumed JJCI's talc liabilities and thereafter filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court for the Western District of North Carolina. Pursuant to court orders entered in November 2021, the case was transferred to the United States District Court for the District of New Jersey (the "Bankruptcy Court"), and substantially all cases related to Johnson & Johnson's talc liability were stayed for a period of sixty (60) days pursuant to a preliminary injunction. Notwithstanding the divisional merger and LTL's bankruptcy case, BHC and Bausch + Lomb continue to have indemnification claims and rights against Johnson & Johnson and LTL pursuant to the terms of the indemnification agreement entered into between JJCI and its affiliates and BHC and its affiliates, which indemnification agreement remains in effect. As a result, it is Bausch + Lomb's current expectation that BHC and Bausch + Lomb will not incur any material impairments with respect to its indemnification claims as a result of the divisional merger or the bankruptcy. In December 2021, certain talc claimants filed motions to dismiss the bankruptcy case. Shortly thereafter, LTL filed a motion in the Bankruptcy Court to extend the 60-day preliminary injunction. On February 25, 2022, the Bankruptcy Court entered orders denying the motions to dismiss and extending the preliminary injunction staying substantially all cases subject to the indemnification agreement related to Johnson & Johnson's talc liability through at least June 29, 2022. The order denying the motions to dismiss and the order extending the preliminary injunction are subject to appeal and the Bankruptcy Court certified their appeals directly to the United States Court of Appeals for the Third Circuit. On May 11, 2022, the Third Circuit granted authorization for the parties to proceed with their direct appeals. Oral argument before the Third Circuit was held on September 19, 2022, and a decision is pending. Further, pursuant to a court order dated March 18, 2022, the Bankruptcy Court directed certain talc claimants and LTL to mediate the issues related to the case in the hopes of achieving a global resolution and ordered separate mediation with respect to certain consumer protection claims against LTL by various state attorneys general. The Bankruptcy Court extended LTL's exclusive period to file a chapter 11 plan until November 17, 2022 and the talc claimants filed a motion to terminate LTL's exclusivity. The parties have since consensually agreed to extend LTL's exclusive period to December 13, 2022. On July 26, 2022, the Bankruptcy Court held a hearing to consider alternative paths to case resolution, and, on July 28, 2022, authorized an abbreviated estimation process designed to determine the extent of LTL's aggregate liability. Additionally, the Bankruptcy Court appointed an independent expert who will issue a report forecasting and estimating the volume and value of claims. The Bankruptcy Court has scheduled November 16, 2022, for a status update on the expert report and to discuss scheduling further formal mediation sessions.

On July 28, 2022, the Bankruptcy Court also ruled that it would leave in place the stay and injunction enjoining talc product liability cases from proceeding until at least the completion of the estimation process. To the extent that any cases proceed during the pendency of the bankruptcy case, it is Bausch + Lomb's expectation that Johnson & Johnson, in accordance with the indemnification agreement, will continue to vigorously defend BHC and Bausch + Lomb in each of the remaining actions.

General Civil Actions

U.S. Securities Litigation - New Jersey Declaratory Judgment Lawsuit

On March 24, 2022, BHC and Bausch + Lomb were named in a declaratory judgment action in the Superior Court of New Jersey, Somerset County, Chancery Division, brought by certain individual investors in BHC's common shares and debt securities who are also maintaining individual securities fraud claims against BHC and certain current or former officers and directors as part of the U.S. Securities Litigation. This newly filed action seeks a declaratory judgment that the transfer of BHC assets to Bausch + Lomb would constitute a voidable transfer under New Jersey's Uniform Voidable Transactions Act and that Bausch + Lomb would become liable for damages awarded against BHC in the individual opt-out actions. The declaratory judgment action alleges that a transfer of assets from BHC to Bausch + Lomb would leave BHC with inadequate financial resources to satisfy these plaintiffs' alleged securities fraud damages in the underlying individual opt-out actions. None of the plaintiffs in this declaratory judgment action have obtained a judgment against BHC in the underlying individual opt-out actions and BHC disputes the claims against it in those underlying actions. The underlying individual opt-out actions assert claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), and certain actions assert claims under Section 18 of the Exchange Act. The allegations in those underlying individual opt out actions are made against BHC and several of its former officers and directors only and relate to, among other things, allegedly false and misleading statements made during the 2013-2016 time period by BHC and/or failures to disclose information about BHC's business and prospects including relating to drug pricing and the use of specialty pharmacies. On March 31, 2022, BHC and Bausch + Lomb removed the action to the U.S. District Court for the District of New Jersey. As a result, the New Jersey Superior Court action is closed and the case is now pending in the District of New Jersey (Case No. 22-cv-01823). On April 29, 2022, Plaintiffs filed a motion to remand. That motion is fully briefed and pending as of June 3, 2022. Other proceedings are in abeyance pending resolution of Plaintiffs' remand motion.

Both BHC and Bausch + Lomb dispute the claims in this declaratory judgment action and intend to vigorously defend this matter.

California Proposition 65 Related Matter

On June 19, 2019, plaintiffs filed a proposed class action in California state court against Bausch Health US and Johnson & Johnson (Gutierrez, et al. v. Johnson & Johnson, et al., Case No. 37-2019-00025810-CU-NP-CTL), asserting claims for purported violations of the California Consumer Legal Remedies Act, False Advertising Law and Unfair Competition Law in connection with their sale of talcum powder products that the plaintiffs allege violated Proposition 65 and/or the California Safe Cosmetics Act. This lawsuit was served on Bausch Health US in June 2019 and was subsequently removed to the United States District Court for the Southern District of California, where it is currently pending. Plaintiffs seek damages, disgorgement of profits, injunctive relief, and reimbursement/restitution. BHC filed a motion to dismiss Plaintiffs' claims, which was granted in April 2020 without prejudice. In May 2020, Plaintiffs filed an amended complaint and in June 2020, filed a motion for leave to amend the complaint further, which was granted. In August 2020, Plaintiffs filed the Fifth Amended Complaint. On January 22, 2021, the Court granted the motion to dismiss with prejudice. On February 19, 2021, Plaintiffs filed a Notice of Appeal with the Ninth Circuit Court of Appeals. On July 1, 2021, Appellants (Plaintiffs) filed their opening brief; Appellees' response briefs were filed October 8, 2021. This matter was stayed by the Ninth Circuit on December 7, 2021, due to the preliminary injunction entered by the Bankruptcy Court in the LTL bankruptcy proceeding. This stay included Appellants' reply brief deadline, which was previously due to be filed on or before December 2, 2021. On March 9, 2022, the Ninth Circuit issued an order extending the stay through July 29, 2022. On July 29, 2022, Johnson & Johnson filed a status report in the Gutierrez appeal, outlining the developments since the last status report and the imposition of the current stay. Johnson & Johnson noted that following a July 26, 2022, hearing, the Bankruptcy Court left the preliminary injunction in place, and accordingly, asked the Ninth Circuit if Johnson & Johnson could have until December 19, 2022, to provide the next status report while the stay remains in place in this action. They also indicated they will inform the court if the status of the bankruptcy stay changes.

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

New Mexico Attorney General Consumer Protection Action

BHC and Bausch Health US were named in an action brought by State of New Mexico ex rel. Hector H. Balderas, Attorney General of New Mexico, in the County of Santa Fe New Mexico First Judicial District Court (New Mexico ex rel. Balderas v. Johnson & Johnson, et al., Civil Action No. D-101-CV-2020-00013, filed on January 2, 2020), alleging consumer protection claims against Johnson & Johnson and Johnson & Johnson Consumer, Inc., BHC and Bausch Health US related to Shower to Shower[®] and its alleged causal link to mesothelioma and other cancers. In April 2020, Bausch Health US filed a motion to dismiss, which in September 2020, the Court granted in part as to the New Mexico Medicaid Fraud Act and New Mexico Fraud Against Taxpayers Act claims and denied as to all other claims. The State of New Mexico brings claims against all defendants under the New Mexico Unfair Practices Act and other common law and equitable causes of action, alleging defendants engaged in wrongful marketing, sale and promotion of talcum powder products. The lawsuit seeks to recover the cost of the talcum powder products as well as the cost of treating asbestos-related cancers allegedly caused by those products. Bausch Health US filed its answer on November 16, 2020. On December 30, 2020, Johnson & Johnson filed a Motion for Partial Judgment on the Pleadings and on January 4, 2021, Bausch Health US filed a joinder to that motion, which was denied on March 8, 2021. Trial is scheduled to begin on May 30, 2023.

On July 14, 2022, LTL filed an adversary proceeding in the Bankruptcy Court (Case No. 21-30589, Adv. Pro. No. 22-01231) against the State of New Mexico ex rel. Hector H. Balderas, Attorney General, and a motion seeking an injunction barring the New Mexico Attorney General from continuing to prosecute the action while the bankruptcy case is pending. A hearing was held on September 14, 2022, and, on October 4, 2022, the Bankruptcy Court entered an order granting the injunction and noting it would be revisited during the December 2022 omnibus hearing.

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

Doctors Allergy Formula Lawsuit

In April 2018, Doctors Allergy Formula, LLC ("Doctors Allergy"), filed a lawsuit against Bausch Health Americas in the Supreme Court of the State of New York, County of New York, asserting breach of contract and related claims under a 2015 Asset Purchase Agreement, which purports to include milestone payments that Doctors Allergy alleges should have been paid by Bausch Health Americas. Doctors Allergy claims its damages are not less than \$23 million. Bausch Health Americas has asserted counterclaims against Doctors Allergy. Bausch Health Americas filed a motion seeking an order granting Bausch Health Americas summary judgment on its counterclaims against Plaintiff and dismissing Plaintiff's claims against Bausch + Lomb. The motion was fully briefed as of May 2021. The Court held a hearing on the motion on January 25, 2022. The motion remains pending. Bausch Health Americas disputes the claims against it and this lawsuit will be defended vigorously.

Intellectual Property Matters

PreserVision® AREDS Patent Litigation

PreserVision® AREDS and PreserVision® AREDS 2 are OTC eye vitamin formulas for those with moderate-to-advanced AMD. The PreserVision® U.S. formulation patent expired in March 2021, but a patent covering methods of using the formulation remains in force into 2026. B&L Inc. has filed patent infringement proceedings against 19 named defendants in 16 proceedings claiming infringement of these patents and, in certain circumstances, related unfair competition and false advertising causes of action. Twelve of these proceedings were subsequently settled; two resulted in a default. As of the date of this filing, there are two ongoing actions: (1) Bausch & Lomb Inc. & PF Consumer Healthcare 1 LLC v. ZeaVision LLC, C.A. No. 6:20-cv-06452-CJS (W.D.N.Y.); and (2) Bausch & Lomb Inc. & PF Consumer Healthcare 1 LLC v. SBH Holdings LLC, C.A. No. 20-cv-01463-VAC-CJB (D. Del.). Bausch + Lomb remains confident in the strength of these patents and B&L Inc. will continue to vigorously pursue these matters and defend its intellectual property.

Patent Litigation against Certain OcuVite and PreserVision

On June 22, 2021, ZeaVision, LLC (“ZeaVision”) filed a complaint for patent infringement against certain of the OcuVite® and PreserVision® products in the Eastern District of Missouri (Case No. 4:21-cv-00739-RWS). On June 29, 2021, ZeaVision amended its complaint to assert a second patent against certain of the OcuVite® and PreserVision® products. On November 16, 2021, ZeaVision filed an additional complaint for patent infringement to assert a third patent against certain of the PreserVision® products (Case No. 4:21-cv-01352-RWS). On March 1, 2022, the cases were consolidated. On March 10, 2022, the court granted Bausch + Lomb’s motion to stay all proceedings pending inter partes review. On July 1, 2022, ZeaVision filed a motion to partially lift the stay to allow Case No. 4:21-cv-01352-RWS to proceed, and this motion was denied. The Company disputes the claims and intends to vigorously defend this matter.

Lumify® Paragraph IV Proceedings

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

On January 20, 2022, B&L Inc. received a Notice of Paragraph IV Certification from Lupin Ltd. (“Lupin”), in which Lupin asserted that certain U.S. patents, each of which is listed in the FDA’s Orange Book for Lumify® (brimonidine tartrate solution) drops (the “Lumify Patents”), are either invalid, unenforceable and/or will not be infringed by the commercial manufacture, use or sale of Lupin’s generic brimonidine tartrate solution, for which its ANDA No. 216716 has been filed by Lupin. On February 2, 2022, B&L Inc., Bausch + Lomb Ireland Limited and Eye Therapies filed suit against Lupin pursuant to the Hatch-Waxman Act, alleging patent infringement by Lupin of one or more claims of the Lumify Patents, thereby triggering a 30-month stay of the approval of the Lupin ANDA.

Bausch + Lomb remains confident in the strength of the Lumify® related patents and B&L Inc. intends to vigorously defend its intellectual property.

In addition to the intellectual property matters described above, in connection with the Vyzulta® product, the Company has commenced ongoing infringement proceedings against a potential generic competitor in the U.S.

Completed or Inactive Matters

The following matters have concluded, have settled, are the subject of an agreement to settle or have otherwise been closed during or prior to the three months ended September 30, 2022 or have been inactive from the Company’s perspective for several fiscal quarters or the Company anticipates that no further material activity will take place with respect thereto. Due to the closure, settlement, inactivity or change in status of the matters referenced below, these matters will no longer appear in the Company’s next public reports and disclosures, unless required. With respect to inactive matters, to the extent material activity takes place in subsequent quarters with respect thereto, the Company will provide updates as required or as deemed appropriate.

PreserVision® AREDS 2 Antitrust Litigation

B&L Inc. was a defendant in an antitrust suit filed by a competitor on December 8, 2021 in the United States District Court for the Central District of California (Pharmavite LLC v. Bausch & Lomb Incorporated, et al., Case No. 2:21-CV-09507 (the

“Pharmavite case”). The lawsuit asserted that B&L Inc.’s efforts to enforce one of its patents against the competitor in a patent infringement suit in Delaware (Bausch & Lomb Inc., et al. v. Nature Made Nutritional Products & Pharmavite LLC, C.A. No. 21-cv-01030-UNA (D. Del.)) (the “Delaware Action”) and certain B&L Inc. marketing statements constitute monopolization, attempted monopolization, and a conspiracy to monopolize the alleged product market of eye health dietary supplements. Plaintiff sought damages and injunctive relief under Section 2 of the Sherman Act, and a declaratory judgment finding that the competitor does not infringe the relevant patent, that the relevant patent is invalid, and that B&L Inc. has misused the relevant patent. On April 26, 2022, the Parties notified the court that they had reached a settlement in principle and asked the court to vacate pending deadlines. On April 28, 2022, the court dismissed the Pharmavite case “without prejudice to the right ... to reopen the action if settlement is not consummated.” The Parties have since reached a final settlement agreement and final dismissal orders were entered with the courts.

California Proposition 65 Related Matter

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

Pre-Suit Notice and Demand Letter re Eye Drop Products

On August 31, 2021, B&L Inc. received a pre-suit notice and demand letter pursuant to California Civil Code Section 1782, attaching a proposed Class Action Complaint (the “Notice Letter”) from an attorney on behalf of an individual seeking to represent a class of purchasers of Soothe[®] eye drop products labeled “preservative free.” The Notice Letter alleges B&L Inc. may be liable under the California Consumer Legal Remedies Act, False Advertising Law, and Unfair Competition Law in connection with, inter alia, the labeling and marketing of Soothe[®] eye drop products as “preservative free” when they contain the alleged preservative boric acid. Pursuant to a negotiated resolution for a non-material amount with the claimant, this claimant will forego the filing of a lawsuit and the Company now considers this matter closed.

19. SEGMENT INFORMATION

Reportable Segments

Bausch + Lomb has historically operated as part of BHC, reported under BHC’s segment structure and historically the CODM was the CODM of BHC. In 2021, as Bausch + Lomb was transitioning into an independent, publicly traded company, BHC’s CEO, who was Bausch + Lomb’s CODM until the closing of the B+L IPO, evaluated how to view and measure Bausch + Lomb’s performance. This evaluation necessitated a realignment of Bausch + Lomb’s historical segment structure, and, during the second quarter of 2021, Bausch + Lomb determined it is organized into three operating segments, which are also its reportable segments. This realignment is consistent with how the CODM: (i) assesses operating performance on a regular basis, (ii) makes resource allocation decisions and (iii) designates responsibilities of his direct reports. Pursuant to these changes, effective in the second quarter of 2021, Bausch + Lomb operates in the following reportable segments which are generally determined based on the decision-making structure of Bausch + Lomb and the grouping of similar products and services: (i) Vision Care, (ii) Ophthalmic Pharmaceuticals and (iii) Surgical. As of March 31, 2022, the Vision Care/Consumer Health Care segment name was changed to Vision Care.

- **The Vision Care segment** consists of: (i) sales of contact lenses that span the spectrum of wearing modalities, including daily disposable and frequently replaced contact lenses, and (ii) sales of contact lens care products and over-the-counter (“OTC”) eye drops, eye vitamins and mineral supplements that address various conditions including eye allergies, conjunctivitis and dry eye.
- **The Ophthalmic Pharmaceuticals segment** consists of sales of a broad line of proprietary and generic pharmaceutical products for post-operative treatments and the treatment of a number of eye conditions, such as glaucoma, ocular hypertension and retinal diseases.
- **The Surgical segment** consists of sales of medical devices and technologies for the treatment of cataracts, cornea, vitreous and retinal eye conditions and includes intraocular lenses and delivery systems, phacoemulsification and vitrectomy equipment and other surgical instruments and devices.

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

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

Segment Revenues and Profit

Segment revenues and profits were as follows:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues:				
Vision Care	\$ 598	\$ 605	\$ 1,747	\$ 1,717
Ophthalmic Pharmaceuticals	172	171	495	527
Surgical	172	173	530	520
Total revenues	<u>\$ 942</u>	<u>\$ 949</u>	<u>\$ 2,772</u>	<u>\$ 2,764</u>
Segment profit:				
Vision Care	\$ 167	\$ 145	\$ 471	\$ 431
Ophthalmic Pharmaceuticals	50	74	142	208
Surgical	9	26	35	55
Total segment profit	226	245	648	694
Corporate	(114)	(71)	(296)	(219)
Amortization of intangible assets	(59)	(72)	(188)	(225)
Other expense, net	(7)	(8)	(8)	(13)
Operating income	46	94	156	237
Interest income	2	—	3	—
Interest expense (Note 4)	(35)	—	(99)	—
Foreign exchange and other	6	(6)	15	(5)
Income before provision for income taxes	<u>\$ 19</u>	<u>\$ 88</u>	<u>\$ 75</u>	<u>\$ 232</u>

Revenues by Segment and by Product Category

Revenues by segment and product category were as follows:

<i>(in millions)</i>	Vision Care		Ophthalmic Pharmaceuticals		Surgical		Total	
	Three Months Ended September 30,							
	2022	2021	2022	2021	2022	2021	2022	2021
Pharmaceuticals	\$ 4	\$ 5	\$ 117	\$ 116	\$ —	\$ —	\$ 121	\$ 121
Devices	221	226	—	—	169	170	390	396
OTC	361	364	—	—	—	—	361	364
Branded and Other Generics	10	7	55	53	—	—	65	60
Other revenues	2	3	—	2	3	3	5	8
	<u>\$ 598</u>	<u>\$ 605</u>	<u>\$ 172</u>	<u>\$ 171</u>	<u>\$ 172</u>	<u>\$ 173</u>	<u>\$ 942</u>	<u>\$ 949</u>
	Nine Months Ended September 30,							
	2022	2021	2022	2021	2022	2021	2022	2021
Pharmaceuticals	\$ 10	\$ 15	\$ 339	\$ 364	\$ —	\$ —	\$ 349	\$ 379
Devices	648	664	—	—	521	511	1,169	1,175
OTC	1,060	1,009	—	—	—	—	1,060	1,009
Branded and Other Generics	23	22	154	158	—	—	177	180
Other revenues	6	7	2	5	9	9	17	21
	<u>\$ 1,747</u>	<u>\$ 1,717</u>	<u>\$ 495</u>	<u>\$ 527</u>	<u>\$ 530</u>	<u>\$ 520</u>	<u>\$ 2,772</u>	<u>\$ 2,764</u>

The top ten products/franchises for the nine months ended September 30, 2022 and 2021 represented 58% and 56% of total revenues for the nine months ended September 30, 2022 and 2021, respectively.

Geographic Information

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

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
U.S. and Puerto Rico	\$ 425	\$ 415	\$ 1,241	\$ 1,211
China	93	94	251	277
France	43	48	154	155
Japan	46	56	143	167
Germany	30	44	106	112
Russia	43	33	90	75
United Kingdom	27	30	81	80
Canada	27	27	73	75
Italy	16	19	57	54
Spain	15	19	56	57
Mexico	14	9	39	26
South Korea	11	11	33	36
Poland	10	11	33	32
Other	142	133	415	407
	<u>\$ 942</u>	<u>\$ 949</u>	<u>\$ 2,772</u>	<u>\$ 2,764</u>

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

Major Customers

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

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

Unless the context otherwise indicates, as used in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the terms “we,” “us,” “our,” “Bausch + Lomb,” the “Company,” and similar terms refer to Bausch + Lomb Corporation and its subsidiaries. This “Management’s Discussion and Analysis of Financial Condition and Results of Operations” has been updated through November 2, 2022 and should be read in conjunction with the unaudited interim Condensed Consolidated Financial Statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 (this “Form 10-Q”). The matters discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contain certain forward-looking statements within the meaning of Section 27A of The Securities Act of 1933, as amended (the “Act”), and Section 21E of The Securities Exchange Act of 1934, as amended, and that may be forward-looking information within the meaning defined under applicable Canadian securities laws (collectively, “Forward-Looking Statements”). See “Forward-Looking Statements” at the end of this discussion.

Our accompanying unaudited interim Condensed Consolidated Financial Statements as of September 30, 2022 and for the three and nine months ended September 30, 2022 and 2021 have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and the rules and regulations of the United States Securities and Exchange Commission (the “SEC”) for interim financial statements, and should be read in conjunction with our Combined Financial Statements for the year ended December 31, 2021, which are included in Bausch + Lomb’s final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act relating to Bausch + Lomb’s Registration Statement on Form S-1 and Bausch + Lomb’s supplemented PREP prospectus filed with the Canadian Securities Administrators (the “CSA”) on May 5, 2022. In our opinion, the unaudited interim Condensed Consolidated Financial Statements reflect all adjustments, consisting of normal and recurring adjustments, necessary for a fair statement of the financial condition, results of operations and cash flows for the periods indicated. Additional Company information is available on SEDAR at www.sedar.com and on the SEC website at www.sec.gov. All currency amounts are expressed in U.S. dollars, unless otherwise noted.

OVERVIEW

Bausch + Lomb is a subsidiary of Bausch Health Companies Inc. (“BHC”), with BHC currently holding, directly or indirectly, approximately 88.7% of the common shares of Bausch + Lomb. Bausch + Lomb is a leading global eye health company dedicated to protecting and enhancing the gift of sight for millions of people around the world—from the moment of birth through every phase of life. Our mission is simple, yet powerful: helping you see better, to live better. We develop, manufacture and market a range of products, primarily in the areas of eye health, which are marketed directly or indirectly in approximately 100 countries. As a fully integrated eye health business, Bausch + Lomb has an established line of contact lenses, intraocular lenses and other medical devices, surgical systems and devices, vitamin and mineral supplements, lens care products, prescription eye-medications and other consumer products that positions us to compete in all areas of the eye health market.

Our comprehensive portfolio of over 400 products is fully integrated and built to serve our customers across the full spectrum of their eye health needs throughout their lives. Our iconic brand is built on the deep trust and loyalty of our customers established over our nearly 170-year history. We have a significant global research, development, manufacturing and commercial footprint of approximately 12,800 employees and a presence in approximately 100 countries, extending our reach to billions of potential customers across the globe. We have long been associated with many of the most significant advances in eye health, and we believe we are well positioned to continue leading the advancement of eye health in the future.

Reportable Segments

Our portfolio of products falls into three operating and reportable segments: (i) Vision Care (formerly Vision Care/Consumer Health), (ii) Ophthalmic Pharmaceuticals and (iii) Surgical. We have found and continue to believe there is significant opportunity in these businesses and we believe our existing portfolio, commercial footprint and pipeline of product development projects position us to successfully compete in these markets and provide us with the greatest opportunity to build value for our shareholders. The following is a brief description of the Company’s segments:

The Vision Care segment—includes both our contact lens and consumer eye care businesses, and includes leading products such as our Biotrue® ONEday daily disposables and our Biotrue® multi-purpose solution.

Our contact lens portfolio spans the spectrum of wearing modalities, including daily disposable and frequently replaced contact lenses, and contact lenses that are indicated for therapeutic use and that can also provide optical correction during healing, if required. In particular, our Vision Care contact lens portfolio includes our Bausch + Lomb INFUSE® (silicone

hydrogel (“SiHy”) daily disposable contact lenses, Biotrue[®] ONEday daily disposables, PureVision[®] SiHy contact lenses, SofLens[®] daily disposables and Bausch + Lomb ULTRA[®] contact lenses.

Our consumer eye care business consists of contact lens care products, over-the-counter (“OTC”) eye drops that address various conditions, including eye allergies, conjunctivitis, dry eye, and redness relief, and eye vitamins and mineral supplements. Our Eye Vitamin Products include our PreserVision[®] AREDS 2 formula, which contains the exact levels of six key nutrients recommended by the National Eye Institute to help reduce the risk of progression in patients with moderate to advanced age-related macular degeneration (“AMD”), and supplements, that support general eye health. Within our consumer eye care business, our lens care product portfolio includes Biotrue[®] and Renu[®] multipurpose solutions and Boston[®] cleaning and conditioning solutions, our eye drops include LUMIFY[®], Soothe[®], Artelac[®], Alaway[®] and Mioclear[™] and our Eye Vitamins include PreserVision[®] and Ocuville[®].

For the year ended December 31, 2021, our Vision Care segment had seven product franchises that generated over \$100 million in annual revenues, as follows: PreserVision[®]/Ocuville[®], Biotrue[®], SofLens[®], Renu[®], Bausch + Lomb ULTRA[®], Artelac[®] and LUMIFY[®].

The Ophthalmic Pharmaceuticals segment—consists of a broad line of proprietary and generic pharmaceutical products for post-operative treatments and treatments for a number of eye conditions, such as glaucoma, eye inflammation, ocular hypertension, dry eyes and retinal diseases. Key proprietary ophthalmic pharmaceutical brands are VYZULTA[®], Lotemax[®], Prolensa[®] and Minims[®].

The Surgical Segment—consists of medical device equipment, consumables and technologies for the treatment of corneal, cataracts, and vitreous and retinal eye conditions, which includes intraocular lenses (“IOLs”) and delivery systems, phacoemulsification equipment and other surgical instruments and devices necessary for cataract surgery. Key surgical brands include Akreos[®], AMVISC[®], Crystalens[®] IOLs, enVista[®] IOLs, Millennium[®], Stellaris Elite[®] vision enhancement system, Storz[®] ophthalmic instruments, VICTUS[®] femtosecond laser, Teneo[™], Eyefill[®] and Zyoptix[®].

Initial Public Offering and Separation of the Bausch + Lomb Eye Health Business

On August 6, 2020, our parent company, BHC, announced its plan to separate our eye health business into an independent publicly traded entity, separate from the remainder of BHC (the “Separation”). In January 2022, BHC completed the internal organizational design and structure of our new eye health entity. The next step in the Separation was an initial public offering of the common shares of Bausch + Lomb. The registration statement related to the initial public offering of Bausch + Lomb (the “B+L IPO”) was declared effective on May 5, 2022, and our common stock began trading on the New York Stock Exchange and the Toronto Stock Exchange, in each case under the ticker symbol “BLCO”, on May 6, 2022. Prior to the completion of the B+L IPO, we were an indirect wholly-owned subsidiary of BHC. On May 10, 2022, a wholly-owned subsidiary of BHC (the “Selling Shareholder”) sold 35,000,000 common shares of Bausch + Lomb, at an offering price of \$18.00 per share (less the applicable underwriting discount), pursuant to the Bausch + Lomb prospectus. In addition, the Selling Shareholder granted the underwriters an option for a period of 30 days from the date of the B+L IPO to purchase up to an additional 5,250,000 common shares to cover over-allotments at the IPO offering price less underwriting commissions. On May 31, 2022, the underwriters of the B+L IPO partially exercised the over-allotment option granted to them by the Selling Shareholder, and, on June 1, 2022, the Selling Shareholder sold an additional 4,550,357 common shares of Bausch + Lomb, at an offering price of \$18.00 per share (less the applicable underwriting discount). The Selling Shareholder received all net proceeds from the B+L IPO. The remainder of the over-allotment option granted to the underwriters expired.

Upon the closing of the B+L IPO (after giving effect to the partial exercise of the over-allotment option), BHC directly or indirectly holds 310,449,643 Bausch + Lomb common shares, which represents approximately 88.7% of our common shares. The completion of the separation of Bausch + Lomb is subject to the expiry of customary lockups related to the B+L IPO (which have now expired) and, the achievement of targeted debt leverage ratios, subject to market conditions and the receipt of applicable shareholder and other necessary approvals and the various risk factors relating to the separation approvals set forth in Bausch + Lomb’s final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act relating to our Registration Statement on Form S-1 and in Bausch + Lomb’s supplemented PREP prospectus as filed with the CSA on May 5, 2022, under the section entitled “Risk Factors”. We understand that BHC continues to believe that completing the B+L Separation makes strategic sense and that BHC continues to evaluate all factors and considerations related to completing the Separation, including the effect of the Norwich Legal Decision (as defined below).

See Note 2, “SIGNIFICANT ACCOUNTING POLICIES” to our unaudited interim Condensed Consolidated Financial Statements for additional information.

We believe the Separation presents Bausch + Lomb with a unique opportunity, and will provide us operating flexibility and put us in a strong position to unlock additional value in our eye health business as a separate and dissimilar business from the remainder of BHC’s product portfolios and businesses. As a separate entity, Bausch + Lomb’s management believes that it is positioned to focus on its core businesses to drive additional growth, more effectively allocate capital and better manage our capital needs. Further, the Separation will allow us and the market to compare the operating results of our eye health business with other “pure play” eye health companies. Although management believes these transactions will unlock value for our shareholders, there can be no assurance that the Separation will be consummated, or, even if consummated, that the Separation will be successful in doing so.

See “Risk Factors — Risks Relating to the Separation” included in Bausch + Lomb’s final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act relating to Bausch + Lomb’s Registration Statement on Form S-1 and in Bausch + Lomb’s supplemented PREP prospectus as filed with the CSA on May 5, 2022.

Positioning for Growth

Product Development

We continuously search for new product opportunities through internal development and strategic licensing agreements, that, if successful, will allow us to leverage our commercial footprint and supplement our existing product portfolio and address specific unmet needs in the market.

We are focused on bringing innovative products to market to serve doctors, patients, and consumers in the pursuit of helping people see better to live better all over the world. We consistently look for key trends in the eye health market to meet changing doctor, patient, and consumer needs and identify areas for investment to expand our market share and maintain our leading positions across business segments. Our leadership team actively manages our pipeline in order to identify what we believe are innovative and realizable projects that meet the unmet needs of consumers, patients and eye health professionals and are expected to provide incremental and sustainable revenues and growth into the future. We believe that our current pipeline is strong enough to meet these objectives and provide future sources of revenues, in our core businesses, sufficient enough to sustain our growth and corporate health as other products in our established portfolio face generic competition and lose momentum.

We believe our unparalleled eye health knowledge and insights allow us to capitalize on market trends by differentiating our approach to product development, with a pipeline focused on prioritizing customer needs and actively seeking external innovation to design, develop and advance creative, ethical eye health products across our portfolio, to address unmet and evolving needs of eye care professionals, patients and consumers. Our team of approximately 850 dedicated Research and Development (“R&D”) employees is focused on advancing our pipeline and identifying new product opportunities and we believe we have a significant innovation opportunity today. We plan to develop and commercialize our global pipeline of over 60 projects, many of which are global projects being developed in and for multiple countries. These global and individual projects are in various stages of pre-clinical and clinical development, including new contact lenses and prescription medications for myopia, next-generation cataract equipment, premium IOLs, investigational treatments for dry eye, novel formulation for eye vitamins, preservative free formulation of eye drops and, next-generation cataract equipment, among others, that are designed to grow our portfolio and accelerate future growth.

Our internal R&D organization focuses on the development of products through clinical trials. As of September 30, 2022, we have over 60 projects in our global pipeline which are being developed in and for multiple countries. Certain core internal R&D projects that have received a significant portion of our R&D investment in current and prior periods are listed below.

Vision Care Pipeline

We believe that vision care is a very innovation-sensitive market. As a result, we believe our vision care business will achieve growth through our focus on new materials and products. We have leveraged our expertise in eye health to build a vision care pipeline based on innovative next generation materials and products, and we intend to continue developing our pipeline through a combination of internal and external business development initiatives. Our range of vision care pipeline products are as follows:

Contact Lens Pipeline

We are developing new materials and expect to continue to introduce innovative products, like our Bausch + Lomb INFUSE® contact lens, which is a silicone hydrogel daily disposable contact lens designed with a next generation material infused with ProBalance Technology™ to help maintain ocular surface homeostasis and help reduce symptoms of contact lens dryness. Silicone hydrogel materials provide increased oxygen transmission for eye health, improved safety and

increased comfort for end users. This combination should continue to benefit our other SiHy brands: Bausch + Lomb ULTRA[®], AQUALOX[™] and PureVision[®]. Our contact lens pipeline includes:

- SiHy Daily - A silicone hydrogel daily disposable contact lens designed to provide clear vision throughout the day. In September 2018, we launched SiHy Daily in Japan under the branded name AQUALOX[™] ONE DAY. In August 2020, we launched SiHy Daily in the U.S. under the branded name Bausch + Lomb INFUSE[®] SiHy Daily Disposable contact lens. In the fourth quarter of 2020, SiHy Daily was launched in Australia, Hong Kong and Canada under the branded name Bausch + Lomb Ultra[®] ONE DAY. SiHy Daily has also received regulatory approval in China, New Zealand, Japan, South Korea, Europe, Singapore and Malaysia, where it will be branded as Bausch + Lomb Ultra[®] ONE DAY, and, in the second quarter of 2021, we launched SiHy Daily in South Korea and Singapore as Bausch + Lomb Ultra[®] ONE DAY.
- In October 2020, we announced that we had entered into an exclusive global licensing agreement with Brien Holden Vision Institute (“BHVI” and the license, the “BHVI License”) for a myopia control contact lens design developed by BHVI. We plan to pair BHVI’s novel contact lens design with our leading contact lens technologies to develop potential contact lens treatments designed to slow the progression of myopia in children. A global clinical trial is expected to begin in 2023.
- We are developing a custom-finished orthokeratology lens with a proprietary software based fitting system for the treatment of myopia, especially in children, which we expect to launch in 2023, subject to FDA approval.
- We are developing certain cosmetic contact lenses with improved color technology, which has been recently approved in Japan and we expect to launch in certain other Asian markets in 2023 and 2024.
- In June 2022, we launched Revive[™] custom soft contact lenses in the United States. Revive[™] is a new family of customizable soft contact lenses, which are available in spherical, toric, multifocal and multifocal toric options and are designed to meet the vision needs of more patients, including those with high or unique prescriptions.

Consumer Eye Care Pipeline

We have built and strengthened our consumer eye care product pipeline through internal development initiatives and external business development opportunities and intend to continue developing our pipeline through a combination of internal and external business development initiatives. Our consumer eye care product pipeline includes:

- LUMIFY[®] (brimonidine tartrate ophthalmic solution, 0.025%) - An OTC eye drop developed as an ocular redness reliever. We launched this product in the U.S. in May 2018 and in Canada in June 2022. Currently, we have several new line formulations under development. The first Phase 3 study in support of these line extensions has initiated. Additional studies have commenced during October 2022.
- Renu[®] Advanced Multi-Purpose Solution (“MPS”) - Contains a triple disinfectant system that kills 99.9% of germs tested, and has a dual surfactant system that provides up to 20 hours of moisture. Renu[®] Advanced MPS is FDA cleared with indications for use to condition, clean, remove protein, disinfect, rinse and store soft contact lenses including those composed of silicone hydrogels. Prior to 2022, Renu[®] Advanced MPS was launched in India, Mexico, Korea, Turkey and Greece and gained regulatory approvals in Indonesia, Malaysia, Singapore, the European Union, Belarus and China. In 2022, Renu[®] Advanced MPS was launched in Taiwan, Czech Republic, Israel, Poland, Slovakia, China, Argentina, Columbia, Ecuador and Peru. We anticipate launches in Slovenia, other parts of Europe and the Nordic regions.
- Biotrue[®] Hydration Plus Multi-Purpose Solution – A next generation Biotrue[®] MPS that contains 25% more Hyaluronan (HA), triple disinfectant system that kills 99.9% of germs tested, dual surfactant system that provides lens conditioning/cleaning and erythritol providing antioxidant properties. This formulation provides up to 20 hours of hydration. Biotrue[®] Hydration Plus MPS is U.S. FDA and Health Canada cleared with indications for use to condition, clean, remove protein, disinfect, rinse and store soft contact lenses including those composed of silicone hydrogels. Biotrue[®] Hydration Plus MPS was launched in the U.S. and Canada in 2022 and has gained regulatory approval from China’s National Medical Products Administration (“NMPA”). We anticipate launching in China in the second half of 2023.
- Preservative Free Biotrue[®] Hydration Boost lubricant eye drops was launched in the U.S. during June 2021. This formulation is enhanced with Hyaluronan (HA), electrolytes, an anti-oxidant and marketed in a preservative free multi-dose container. Additional line extensions are currently under development.

Ophthalmic Pharmaceutical Pipeline

We intend to strengthen our innovative pharmaceuticals pipeline through internal development and external business development opportunities with a focus on life cycle management, generics and biosimilars, dry eye and “back of the eye” diseases. Our range of ophthalmic pharmaceutical pipeline products include:

- In October 2019, we acquired an exclusive license from Clearside Biomedical, Inc. (“Clearside” and the license, the “Clearside License”) for the commercialization and development of XIPERE[®] (triamcinolone acetonide suprachoroidal injectable suspension) in the U.S. and Canada. XIPERE[®] is a proprietary suspension of the corticosteroid triamcinolone acetonide formulated for suprachoroidal administration via Clearside’s proprietary SCS Microinjector[®]. In October 2021, the FDA approved XIPERE[®] for suprachoroidal use for the treatment of macular edema associated with uveitis. We launched XIPERE[®] in the first quarter of 2022, and believe that it is the first and only therapy currently available in the U.S. for suprachoroidal use for the treatment of macular edema associated with uveitis.
- In December 2019, we announced that we had acquired an exclusive license from Novaliq GmbH (the “Novaliq License”) for the commercialization and development in the U.S. and Canada of the investigational treatment NOV03 (perfluorohexyloctane), a first-in-class investigational drug that if approved by the FDA will have a novel mechanism of action to treat dry eye disease (“DED”) associated with Meibomian Gland Dysfunction (“MGD”). In April 2021, we announced statistically significant topline data from the first of two Phase 3 studies, and, in September 2021, we announced statistically significant topline data from the second Phase 3 study. The New Drug Application was filed with the FDA in June 2022 (and accepted by the FDA in September 2022 with a Prescription Drug User Fee Act (PDUFA) date of June 28, 2023), and, if approved, we anticipate launching in the U.S. in the second half of 2023. If approved by the FDA, we believe the addition of this investigational treatment for DED with MGD will help build upon our strong portfolio of integrated eye health products. We expect to make our Canadian filing in the first half of 2023.
- Under the terms of an October 2020 agreement with Eyenovia, Inc., we have acquired an exclusive license (the “Eyenovia License”) in the U.S. and Canada for the development and commercialization of an investigational microdose formulation of atropine ophthalmic solution; a potentially first-in-class investigational treatment of the reduction of pediatric myopia progression. Microdose administration is designed to result in low systemic and ocular drug exposure. We expect to complete enrollment for a Phase 3 study during 2023. If approved by the FDA, we believe this investigational product could potentially change the treatment paradigm for the reduction of myopia progression in children.
- In May 2020, we entered into an exclusive license agreement (the “STADA-Xbrane License”) with STADA Arzneimittel AG and its development partner, Xbrane Biopharma AB (“Xbrane”), to commercialize in the U.S. and Canada a biosimilar candidate to Lucentis[®] (ranibizumab), a VEGF inhibitor used in the treatment of serious eye diseases, such as wet AMD. We expect, subject to FDA alignment, that Xbrane will resubmit the abbreviated Biologics License Application (“aBLA”) for the product by the end of 2022 and we anticipate launching the product in the U.S. in late 2023 or early 2024 (depending on the exact timing of such resubmission).

Surgical Pipeline

We have built and strengthened our ophthalmic surgical pipeline through internal and external development and licensing initiatives and intend to continue developing our pipeline through a combination of internal and external business development initiatives. Our range of surgical pipeline products are developed with the goal to reinforce our position in existing segments, as well as entering new segments in order to broaden the offering. Our surgical pipeline includes:

- In the first quarter of 2021, we launched LuxSmart[™] IOLs with extended depth of focus (“EDOF”) design. We started first implantation in December 2020, and we expanded prelaunch activities in the U.K., France, Germany, Sweden, Italy, Spain, Poland, Hong Kong and the Czech Republic in the first quarter of 2021. During the remainder of 2021, we expanded the launch of LuxSmart[™] IOLs to other European countries, including Belgium, Netherlands, Norway, Portugal, Switzerland, Greece, Bulgaria, Hungary, Romania and Serbia. We expect to expand the launch of LuxSmart[™] IOLs in select other markets in 2023.
- We are expanding our portfolio of premium IOLs built on the enVista[®] platform with Monofocal Plus, EDOF and Trifocal optical designs for presbyopia correction. We expect that they will be commercialized together with a new preloaded inserter with two options: non-Toric, as well as Toric for astigmatism patients. We anticipate launching Monofocal Plus, Trifocal and EDOF optical designs for presbyopia in the U.S. in 2023, 2024 and 2025/2026, respectively.

- We are developing a new generation Phaco and Vitreoretinal combined surgical system that we expect will be a future innovation that builds on the existing Stellaris Elite[®] vision enhancement system by introducing a new fluidics system, enhancing interconnectivity and networking, expanding surgical parameters and offering a wide range of new peripherals to enhance the surgeons' control throughout the surgical procedures.
- We are developing two new femto lasers with advanced technology that we expect to launch in 2024. These products are designed for the cataract and refractive surgery markets.
- We are developing new innovative, personalized corneal treatments for our Teneo[™] Excimer laser, which we expect to launch in the U.S. in 2023, subject to FDA approval.
- New Ophthalmic Viscosurgical Device ("OVD") product - A formulation to protect corneal endothelium during phacoemulsification process during a cataract surgery and to help chamber maintenance and lubrication during IOL delivery. A clinical study report was completed for the cohesive OVD product (StableVisc[™]) during the second quarter of 2022. FDA approval is expected in the fourth quarter of 2022 and launch is expected in the first quarter of 2023. In addition, in March 2021, we received Premarket Approval from the FDA for Clearvisc[®] dispersive OVD, which we launched in the U.S. in June 2021.

Strategic Licensing Agreements

To supplement our internal R&D initiatives and to build-out and refresh our product portfolio, we also search for opportunities to augment our pipeline through arrangements that allow us to gain access to unique products and investigational treatments, by strategically aligning ourselves with other innovative product solutions. Our strategic licensing agreements include the BVHI License outlined in the discussion of our Vision Care pipeline above and the Clearside License, Novaliq License, Eyenovia License and STADA-Xbrane License each outlined in the discussion of our Ophthalmic Pharmaceutical product pipeline above.

In addition, during July 2022, we entered into an exclusive European distribution agreement with Sanoculis Ltd. ("Sanoculis") for Sanoculis' Minimally Invasive Micro Sclerostomy ("MIMS[®]"). MIMS[®] is an innovative minimally invasive surgical procedure for the treatment of glaucoma. We also made an equity investment in Sanoculis as part of a Series C round of funding and have an option to acquire all of the assets of Sanoculis. We believe this distribution agreement, as well as the equity stake and option, will help build upon our strong portfolio of integrated eye health products.

In the normal course of business, we will enter into select licensing and collaborative agreements for the commercialization and/or development of unique products. These products are sometimes investigational treatments in early stage development that target unique conditions. The ultimate outcome, including whether the product will be: (i) fully developed, (ii) approved by the FDA or other regulators, (iii) covered by third-party payors or (iv) profitable for distribution, is highly uncertain. Under certain agreements, the Company may be required to make payments contingent upon the achievement of specific developmental, regulatory, or commercial milestones.

We are and we will continue to consider further strategic licensing opportunities to address the unmet needs of the consumer, patient and eye health professional, some of which could be material in size.

Strategic Acquisitions

We selectively consider any acquisition that we believe aligns well with our current organization and strategic plan. We seek to enter into only those acquisitions that provide us with significant synergies with our existing business, thereby minimizing risks to our core businesses and providing long-term growth opportunities.

We are considering further acquisition opportunities within our core therapeutic areas, some of which could be material in size.

Sales Force Expansion

We have an established sales network that uniquely positions us to meet customers' demands across the geographies we serve, building deeply loyal and enduring relationships. Through our teams, we are engaged with various physician and patient associations across the world. These professional relationships are the foundation of our proven track record of converting innovation into trusted products with high sales and provide us additional patient insights and consumer feedback that virtuously informs the innovation effort. We look for opportunities to strategically expand our sales force in specific geographies as needed and in support of new product launches, most recently in support of our launches of our Bausch + Lomb INFUSE[®], Biotrue[®] ONEday and Bausch + Lomb ULTRA[®] contact lenses in order to drive growth and maximize the return on our product portfolio.

e-Commerce

We see an opportunity in e-Commerce for growth, which now represents more than 10% of our Vision Care revenues. We believe that the trend of using e-Commerce platforms to shop for our products will continue to affect our business due to the convenience of online ordering and subscription delivery. We believe that our products are well suited to sales through e-Commerce channels as they are shelf stable, inexpensive to ship as our products are light in weight, and easy to transport. Additionally, the recurring purchase cycles for many of our products will position them to capitalize on continued growth of subscription services. We continue to look for additional opportunities to invest in these platforms to meet consumer demand and drive growth.

Investment in Our Manufacturing Facilities

In support of our core businesses, we have made and continue to make strategic investments in our infrastructure, the most significant of which are at our Waterford facility in Ireland, our Rochester facility in New York and our Lynchburg facility in Virginia. We note that continued investment in our infrastructure remained an area of our focus and transformation. We have identified and continue to identify opportunities to increase our capacity to manufacture our products to meet forecasted global demand, particularly in our Vision Care product lines. Our projects have included emphasis on developing new technologies to assist in the manufacture, inspection, and packaging of contact lenses to drive efficiencies in our manufacturing processes.

Additionally, we have increased and continue to increase our investments to enhance our supply chain and distribution capabilities in both the U.S and international locations. These recent investments in our supply chain included adding additional distribution capabilities for medical devices, primarily contact lens products.

From a manufacturing and distribution expansion perspective, we have made approximately \$785 million in capital expenditures/commitments over the past 5 years to increase capacity and meet increased demand for our products. We believe the continued investments in our infrastructure, most specifically the Waterford, Rochester and Lynchburg facilities, further demonstrates the growth potential we see in our products.

Our Competitive Environment

We operate in a marketplace with many competitors and face competition from competitors' products and new products entering the market. We also face the threat of competition from new entrants to our markets as well as from existing competitors, including those overseas who may have lower production costs. In order to protect and grow our market share we: (i) actively manage our pricing, (ii) refresh our product portfolio with innovative new products and (iii) manage our product portfolio to address generic competition.

Business Trends

In addition to the actions previously outlined, the events described below have affected and may affect our business trends. The matters discussed in this section contain Forward-Looking Statements. Please see "Forward-Looking Statements" for additional information.

Russia-Ukraine War

In February 2022, Russia invaded Ukraine. As military activity and sanctions against Russia, Belarus and specific areas of Ukraine have continued, the war has increasingly affected economic and global financial markets and exacerbated ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption.

Our revenues attributable to Russia for the nine months ended September 30, 2022 and 2021 were \$90 million and \$75 million, respectively. Our revenues attributable to Ukraine for the nine months ended September 30, 2022 and 2021 were \$5 million and \$7 million, respectively. Our revenues attributable to Belarus for the nine months ended September 30, 2022 and 2021 were \$6 million and \$5 million, respectively. As the geopolitical situation in Eastern Europe continues to intensify, political events and sanctions are continually changing, and we continue to assess the impact of the Russia-Ukraine war will have on our businesses. These impacts may include but are not limited to: (i) interruptions or stoppage of production, (ii) damage or loss of inventories, (iii) supply-chain and product distribution disruptions in Eastern Europe, (iv) volatility in commodity prices and currencies, (v) disruption in banking systems and capital markets, (vi) reductions in sales and earnings of business in affected areas, (vii) increased costs and (viii) cyberattacks.

To date, these challenges have not yet had a material impact on our operations; however, the ongoing conflict in this region and the sanctions and other actions by the global community in response has hindered (and we anticipate will continue to hinder) our ability to conduct business with customers and vendors in this region. For example, we expect to experience further disruption and delays in the supply of our products to our customers in Russia, Belarus and Ukraine. We may also experience further decreased demand for our products in these countries as a result of the conflict and invasion. In addition,

we may experience difficulties in collecting receivables from such customers. If we continue to be hampered in our ability to conduct business with new or existing customers and vendors in this region, our business, and operations, including our revenues, profitability and cash flows, could be adversely impacted. Furthermore, if the sanctions and other retaliatory measures imposed by the global community change, we may be required to cease or suspend our operations in the region or, should the conflict worsen, we may voluntarily elect to do so. We cannot provide assurance that current sanctions or potential future changes in these sanctions or other measures will not have a material impact on our operations in Russia, Belarus and Ukraine. The disruption to or suspension of our business and operations in Russia, Belarus and Ukraine may have a material adverse impact on our business, financial condition, cash flows and results of operations. We will continue to monitor the impacts of the Russia-Ukraine war on macroeconomic conditions and continually assess the effect these matters may have on our businesses.

For a further discussion of these and other risks relating to our international business, see “Risk Factors—Risks Relating to the International Scope of our Business” included in Bausch + Lomb’s final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act relating to Bausch + Lomb’s Registration Statement on Form S-1 and in Bausch + Lomb’s supplemented PREP prospectus as filed with the CSA on May 5, 2022.

Impacts of COVID-19 Pandemic

The unprecedented nature of the COVID-19 pandemic has, and continues to, adversely impact the global economy. The COVID-19 pandemic and the reactions of governments, private sector participants and the public in an effort to contain the spread of the COVID-19 virus and/or address its impacts have had significant direct and indirect effects on businesses and commerce. This includes, but is not limited to, disruption to supply chains, employee base and transactional activity, facilities closures and production suspensions. Our revenues were most negatively impacted during our second quarter of 2020 by certain social restrictions and other precautionary measures taken in response to the COVID-19 pandemic. However, as governments began lifting social restrictions, allowing offices of certain health care providers to reopen and certain surgeries and elective medical procedures to proceed, the negative trend in the revenues of certain businesses began to level off and stabilize prior to our third quarter of 2020. After the launch of effective vaccines in December 2020, infection rates began to decline, signaling the beginning of a recovery from the COVID-19 pandemic.

Our revenues gradually returned to pre-pandemic levels for many of our businesses and geographies throughout 2021. However, in some regions, including China (as further described below), we continued to experience negative impacts of the COVID-19 pandemic on our business in those regions. The rates of recovery for each business will vary by geography and will be dependent upon, among other things, the availability and effectiveness of vaccines for the COVID-19 virus and variant and subvariant strains thereof, government responses, rates of economic recovery, precautionary measures taken by patients and customers, the rate at which remaining social restrictions are lifted and, once lifted, the presumption that social restrictions will not be materially reenacted in the event of a resurgence of the virus or variant and subvariant strains thereof and other actions taken in response to the COVID-19 pandemic.

The outbreak of the omicron variant in China in 2022 has resulted in government enforced lockdowns and other social restrictions, which impacted our ability to conduct business as usual in certain regions in China, particularly Shanghai. The lockdowns in China had impacted the demand for certain products, particularly our contact lens and consumer eye care products, as shelter in place orders limit the demand and need for the use of contact lenses and related products. Our revenues in China for the nine months ended September 30, 2022 and 2021 were \$251 million and \$277 million, respectively, a decrease of \$26 million and, in part, reflects the challenges created by the surge of the omicron variant in China. During the third quarter of 2022, the impact on our revenues from the headwinds from China’s COVID-19 policies and lockdowns that we saw during the first half of 2022 began to normalize and we began to see growth in volumes in this region. Additionally, government enforced lockdowns have caused certain businesses to suspend operations, creating distribution and other logistic issues for the distribution of our products and the sourcing for a limited number of raw materials. Through the date of this filing, we have dealt with these issues in China with only a minimal impact on our manufacturing and distribution processes. However, as the impacts of global reaction to the COVID-19 pandemic remains a fluid situation, we continue to monitor the impacts on our businesses of the COVID-19 virus and variant and subvariant strains thereof in order to timely address new issues if and when they arise.

For a further discussion of these and other COVID-19 related risks, see “Risk Factors— Risks Relating to COVID-19” included in Bausch + Lomb’s final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act relating to Bausch + Lomb’s Registration Statement on Form S-1 and in Bausch + Lomb’s supplemented PREP prospectus as filed with the CSA on May 5, 2022.

Inflation and Supply Chain

As a result of global macroeconomic conditions, including, but not limited to those caused by the Russia-Ukraine War and the COVID-19 pandemic, we have been experiencing inflationary pressures related to certain materials for our products.

We have also been experiencing certain supply-chain challenges which have caused disruptions in availability and delays in shipping, which has led to challenges in meeting end market demand.

These inflationary pressures and supply-chain challenges have impacted our revenues and resulting margins, despite our effort to manage these impacts through strategic pricing actions and other initiatives. While we expect these inflationary pressures and supply-chain challenges to continue through 2022, the duration and extent of these challenges is uncertain and could have an adverse impact on results of operations. We will continue to monitor these inflationary and supply-chain challenges and are implementing actions to help mitigate these challenges.

Inflation Reduction Act

On August 16, 2022, US President Joseph Biden signed the Inflation Reduction Act (the “IRA”) into law, which includes implementation of a new alternative minimum tax, an excise tax on stock buybacks, and significant tax incentives for energy and climate initiatives, among other provisions. The corporate alternative minimum tax (“CAMT”) imposes a minimum tax on the adjusted financial statement income (“AFSI”) for “applicable corporations” with average annual AFSI over a three-year period in excess of \$1 billion. A corporation that is a member of a foreign-parented multinational group, as defined in the IRA, must include the AFSI (with certain modifications) of all members of the group in applying the \$1 billion test, but would only be subject to CAMT if the three-year average AFSI of its US members, US trades or business of foreign group members that are not subsidiaries of US members, and foreign subsidiaries of US members exceeds \$100 million. The Company is currently considered a member of BHC’s foreign-parented multinational group and the Company’s “applicable corporations” would be combined with that of BHC’s “applicable corporations” to determine the applicability of the CAMT. The Company currently does not believe this will have a significant impact on its tax results, but will continue to evaluate the law and its potential impacts.

Global Minimum Corporate Tax Rate

On October 8, 2021, the Organisation for Economic Co-operation and Development (“OECD”)/G20 inclusive framework on Base Erosion and Profit Shifting (the “Inclusive Framework”) published a statement updating and finalizing the key components of a two-pillar plan on global tax reform originally agreed on July 1, 2021, and a timetable for implementation by 2023. The timetable for implementation has since been extended to 2024. The Inclusive Framework plan has now been agreed to by 141 OECD members, including several countries which did not agree to the initial plan. Under pillar one, a portion of the residual profits of multinational businesses with global turnover above €20 billion and a profit margin above 10% will be allocated to market countries where such allocated profits would be taxed. Under pillar two, the Inclusive Framework has agreed on a global minimum corporate tax rate of 15% for companies with revenue above €750 million, calculated on a country-by-country basis. On October 30, 2021, the G20 formally endorsed the new global minimum corporate tax rate rules. The Inclusive Framework agreement must now be implemented by the OECD Members who have agreed to the plan, effective in 2024. On December 20, 2021, the OECD published model rules to implement the pillar two rules, which are generally consistent with the agreement reached by the Inclusive Framework in October 2021. Some further guidance on the plan and the related rules has been published, with additional guidance expected to be published in 2023. We will continue to monitor the implementation of the Inclusive Framework agreement by the countries in which we operate. While we are unable to predict when and how the Inclusive Framework agreement will be enacted into law in these countries, and it is possible that the implementation of the Inclusive Framework agreement, including the global minimum corporate tax rate could have a material effect on our liability for corporate taxes and our consolidated effective tax rate.

Health Care Reform

The U.S. federal and state governments continue to propose and pass legislation designed to regulate the health care industry. In March 2010, the Patient Protection and Affordable Care Act (the “ACA”) was enacted in the U.S. The ACA contains several provisions that impact our business, including: (i) an increase in the minimum Medicaid rebate to states participating in the Medicaid program, (ii) the extension of the Medicaid rebates to Managed Care Organizations that dispense drugs to Medicaid beneficiaries, (iii) the expansion of the 340(B) Public Health Services Act drug pricing program, which provides outpatient drugs at reduced rates, to include additional hospitals, clinics and health care centers and (iv) a fee payable to the federal government based on our prior-calendar-year share relative to other companies of branded prescription drug sales to specified government programs.

In addition, in 2013 federal subsidies began to be phased in for brand-name prescription drugs filled in the Medicare Part D coverage gap. The ACA also included provisions designed to increase the number of Americans covered by health insurance. In 2014, the ACA’s private health insurance exchanges began to operate. The ACA also allows states to expand Medicaid coverage with most of the expansion’s cost paid for by the federal government.

For 2021 and 2020, we incurred costs of \$3 million and \$3 million, respectively, related to the annual fee assessed on prescription drug manufacturers and importers that sell branded prescription drugs to specified U.S. government programs (e.g., Medicare and Medicaid). For 2021 and 2020, we also incurred costs of \$24 million and \$20 million, respectively, on

Medicare Part D utilization incurred by beneficiaries whose prescription drug costs cause them to be subject to the Medicare Part D coverage gap (i.e., the “donut hole”).

The financial impact of the ACA will be affected by certain additional developments over the next few years, including pending implementation guidance and certain health care reform proposals. Additionally, policy efforts designed specifically to reduce patient out-of-pocket costs for medicines could result in new mandatory rebates and discounts or other pricing restrictions. Also, it is possible, as discussed further below, that legislation will be passed by Congress repealing the ACA in whole or in part. Adoption of legislation at the federal or state level could materially affect demand for, or pricing of, our products.

Beginning in 2011, the law imposed a significant annual fee on companies that manufacture or import branded prescription drug products. More recently, the Bipartisan Budget Act of 2018 amended the ACA, effective January 1, 2019, to close the donut hole in most Medicare drug plans. In addition, in April 2018, the Centers for Medicare & Medicaid Services published a final rule that gives states greater flexibility in setting benchmarks for insurers in the individual and small group marketplaces, which may have the effect of relaxing the essential health benefits required under the ACA for plans sold through such marketplaces.

In 2018, we faced uncertainties due to federal legislative and administrative efforts to repeal, substantially modify or invalidate some or all of the provisions of the ACA. However, we believe there is low likelihood of repeal of the ACA, given the recent failure of the Senate’s multiple attempts to repeal various combinations of ACA provisions and the change in the U.S. Presidential administration. There is no assurance that any replacement or administrative modifications of the ACA will not adversely affect our business and financial results, particularly if the replacing legislation reduces incentives for employer-sponsored insurance coverage, and we cannot predict how future federal or state legislative or administrative changes relating to the reform will affect our business.

In 2019, the U.S. Department of Health and Human Services announced a preliminary plan to allow for the importation of certain lower-cost drugs from Canada. The preliminary plan excludes insulin, biological drugs, controlled substances and intravenous drugs. The preliminary plan relies on individual states to develop proposals for safe importation of those drugs from Canada and submit those proposals to the federal government for approval. Although the preliminary plan has some support from the prior administration, at this time, studies to evaluate the related costs and benefits, evaluate the reasonableness of the logistics, and measure the public reaction of such a plan have not been performed. While we do not believe this will have a significant impact on our future cash flows, we cannot provide assurance as to the effect or impact of such a plan.

In 2019, the Government of Canada (Health Canada) published in the Canada Gazette the new pricing regulation for patented drugs. These regulations were scheduled to become effective on July 1, 2021, but were delayed to July 1, 2022. The new regulations, among other things, change the mechanics of establishing the pricing for products submitted for approval after August 21, 2019 and the number and composition of reference countries used to determine if a drug’s price is excessive. While we do not believe this will have a significant impact on our future cash flows, as additional facts materialize, we cannot provide assurance as to the ultimate content, timing, effect or impact of such regulations.

In July 2020, former U.S. President Donald Trump signed four Executive Orders related to drug pricing, including orders addressing: (i) Part D rebate reform, (ii) the provision of deeply discounted insulin and/or an EpiPen to patients of Federally Qualified Health Centers, (iii) drug importation from Canada and (iv) most favored nation pricing for Medicare. In November 2020, former U.S. President Donald Trump announced the Most Favored Nation Model for Medicare Part B Payment which was to be implemented by the Center for Medicare & Medicaid Services Innovation on January 1, 2021; however, it has not been implemented, as it is currently being challenged in court. It is also uncertain whether the Biden administration intends to reverse these measures or adopt similar policy initiatives. However, U.S. President Joseph Biden and several members of the current U.S. Congress have indicated that lowering drug prices is a legislative and political priority, and some have introduced proposals that seek to address drug pricing.

In December 2020, as part of a series of drug pricing-related rules issued by the Trump Administration, the Center for Medicare & Medicaid Services issued a Final Rule that makes significant modifications to the Medicaid Drug Rebate Program regulations in several areas, including with respect to the definition of key terms “line extension” and “new formulation” and best price (BP) reporting relating to certain value-based purchasing (VBP) arrangements (which took effect on January 1, 2022) and the price reporting treatment of manufacturer-sponsored patient benefit programs (which take effect on January 1, 2023).

In March 2021, the U.S. Congress enacted the American Rescue Plan Act of 2021. One of the provisions included within the American Rescue Plan Act of 2021 eliminated the Maximum Rebate Amount for Single Source drugs and Innovator Multiple Source drugs in the Medicaid Drug Rebate Program. We are currently reviewing the legislation, the impact of which is uncertain at this time.

Other legislative efforts relating to drug pricing have been enacted and others have been proposed at the U.S. federal and state levels. For instance, certain states have enacted legislation related to prescription drug pricing transparency. Several states have passed importation legislation and Florida is working with the U.S. government to implement an importation program from Canada. We also anticipate that Congress, state legislatures and third-party payors may continue to review and assess alternative health care delivery and payment systems and may in the future propose and adopt legislation or policy changes or implementations affecting additional fundamental changes in the health care delivery system. We continually review newly enacted and proposed U.S. federal and state legislation, as well as proposed rulemaking and guidance published by the U.S. Department of Health and Human Services and the FDA; however, at this time, it is unclear the effect these matters may have on our businesses.

Generic Competition and Loss of Exclusivity

Certain of our products face the expiration of their patent or regulatory exclusivity in 2022 or in later years, following which we anticipate generic competition of these products. In addition, in certain cases, as a result of negotiated settlements of some of our patent infringement proceedings against generic competitors, we have granted licenses to such generic companies, which will permit them to enter the market with their generic products prior to the expiration of our applicable patent or regulatory exclusivity. Finally, for certain of our products that lost patent or regulatory exclusivity in prior years, we anticipate that generic competitors may launch in 2022 or in later years. Following a loss of exclusivity (“LOE”) of and/or generic competition for a product, we would anticipate that product sales for such product would decrease significantly shortly following the LOE or entry of a generic competitor. Where we have the rights, we may elect to launch an authorized generic (“AG”) of such product (either ourselves or through a third-party) prior to, upon or following generic entry, which may mitigate the anticipated decrease in product sales; however, even with launch of an authorized generic, the decline in product sales of such product would still be expected to be significant, and the effect on our future revenues could be material.

Certain of our products already face generic competition. During 2021, products that began facing LOE in the U.S. included, Lotemax[®] Gel and Bepreve[®], which in aggregate accounted for less than 1% of our total revenues in 2021. Based on current patent expiration dates, settlement agreements and/or competitive information, we have also identified branded products that we believe could begin facing potential LOE and/or generic competition in the U.S. over the next five years, which in the aggregate accounted for approximately 1% of our total revenues in 2021. This could change based on, among other things, successful challenge to our patents, settlement of existing or future patent litigation and at-risk generic launches. We believe the entry into the market of generic competition generally would have an adverse impact on the volume and/or pricing of the affected products, however we are unable to predict the magnitude or timing of this impact.

In addition, the PreserVision[®] U.S. formulation patent expired in March 2021, but a patent covering methods of using the formulation remains in force into 2026. PreserVision[®] products accounted for approximately 6% of our total revenues in 2021. PreserVision[®] is (or was) the subject of certain ongoing and past patent infringement proceedings. While the Company cannot predict the magnitude or timing of the impact from the PreserVision[®] patent expiry, this is an OTC product and thus, the impact is not expected to be as significant as the LOE of a branded pharmaceutical product.

In addition, in connection with our Lumify[®], PreserVision[®] and Vyzulta[®] products, we have commenced ongoing infringement proceedings (or anticipate commencing infringement proceedings) against potential generic competitors in the U.S. If we are not successful in these proceedings, we may face increased generic competition for these products.

See Note 18, “LEGAL PROCEEDINGS” to our unaudited interim Condensed Consolidated Financial Statements, as well as Note 18, “LEGAL PROCEEDINGS” of our Combined Financial Statements for the year ended December 31, 2021, which are included in Bausch + Lomb’s final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act relating to Bausch + Lomb’s Registration Statement on Form S-1 and Bausch + Lomb’s supplemented PREP prospectus filed with the CSA on May 5, 2022, for further details regarding certain of these infringement proceedings.

The risks of generic competition are a fact of the eye health industry and are not specific to our operations or product portfolio. These risks are not avoidable, but we believe they are manageable. To manage these risks, our leadership team continually evaluates the impact that generic competition may have on future profitability and operations. In addition to aggressively defending our patents and other intellectual property, our leadership team makes operational and investment decisions regarding these products and businesses at risk, not the least of which are decisions regarding our pipeline. Our leadership team actively manages our pipeline in order to identify innovative and realizable projects that are expected to provide incremental and sustainable revenues and growth into the future. We believe that we have a well-established product portfolio that is diversified within our core businesses. We also believe that we have a robust pipeline that not only provides for the next generation of our existing products, but also brings new solutions into the market.

See the section entitled “Risk Factors” included in Bausch + Lomb’s final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act relating to Bausch + Lomb’s Registration Statement on Form S-1 and in Bausch + Lomb’s supplemented PREP prospectus as filed with the CSA on May 5, 2022, for additional information on the risks associated with our intellectual property and our competition risks.

Regulatory Matters

In the normal course of business, our products, devices and facilities are the subject of ongoing oversight and review by regulatory and governmental agencies, including general, for cause and pre-approval inspections by the relevant competent authorities where we have business operations. Through the date of this filing, all of our global operations and facilities have the relevant operational good manufacturing practices certificates and all of our products and operating sites are in good compliance standing with all relevant notified bodies and global health authorities. Further, all sites under FDA jurisdiction are rated as either No Action Indicated (where there was no Form 483 observation) or Voluntary Action Indicated (“VAI”) (where there was a Form 483 with one or more observations). In the case of VAI inspection outcomes, the FDA has accepted our responses to the issues cited, which will be verified when the agency makes its next inspection of those specific facilities.

FINANCIAL PERFORMANCE HIGHLIGHTS

On April 28, 2022, Bausch + Lomb effected a share consolidation as a result of which it had 350,000,000 issued and outstanding common shares. These common shares are treated as issued and outstanding at January 1, 2021 for purposes of calculating Basic and diluted (loss) income per share attributable to Bausch + Lomb Corporation. The following table provides selected unaudited financial information for the three and nine months ended September 30, 2022 and 2021:

<i>(in millions, except per share data)</i>	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change	2022	2021	Change
Revenues	\$ 942	\$ 949	\$ (7)	\$ 2,772	\$ 2,764	\$ 8
Operating income	\$ 46	\$ 94	\$ (48)	\$ 156	\$ 237	\$ (81)
Income before provision for income taxes	\$ 19	\$ 88	\$ (69)	\$ 75	\$ 232	\$ (157)
Net (loss) income attributable to Bausch + Lomb Corporation	\$ (18)	\$ 60	\$ (78)	\$ 7	\$ 131	\$ (124)
Basic and diluted (loss) income per share attributable to Bausch + Lomb Corporation	\$ (0.05)	\$ 0.17	\$ (0.22)	\$ 0.02	\$ 0.37	\$ (0.35)

Financial Performance

Summary of the Three Months Ended September 30, 2022 Compared to the Three Months Ended September 30, 2021

Revenues for the three months ended September 30, 2022 and 2021 were \$942 million and \$949 million, respectively, a decrease of \$7 million, or 1%. The decrease was primarily attributable to the unfavorable impact of foreign currencies across all our international businesses. This decrease was partially offset by increases in: (i) volumes across each of our segments and (ii) net realized pricing, primarily in our Vision Care segment.

Operating income for the three months ended September 30, 2022 and 2021 was \$46 million and \$94 million, respectively, a decrease of \$48 million which reflects, among other factors:

- a decrease in contribution (product sales revenue less cost of goods sold, exclusive of amortization and impairments of intangible assets) of \$13 million, primarily driven by: (i) the unfavorable impact of foreign currencies and (ii) higher manufacturing variances, driven by inflationary pressures and higher manufacturing efficiency ramp-up costs of our Daily SiHy lenses, partially offset by the increase in pricing;
- an increase in selling, general and administrative (“SG&A”) expenses of \$33 million, primarily attributable to: (i) higher professional fees and higher compensation expenses, primarily related to separation-related costs and dis-synergy costs associated with the Company becoming a stand-alone entity and (ii) higher selling expenses, partially offset by the favorable impact of foreign currencies;
- an increase in R&D of \$14 million primarily due to higher medical device regulation costs;
- a decrease in Amortization of intangible assets of \$13 million, primarily due to fully amortized intangible assets no longer being amortized in 2022; and
- a decrease in Other expense, net of \$1 million, primarily due to lower asset impairment charges, partially offset by higher restructuring, integration and separation costs.

Operating income for the three months ended September 30, 2022 and 2021 was \$46 million and \$94 million, respectively, and includes non-cash charges for Depreciation and amortization of intangible assets of \$93 million and \$98 million and Share-based compensation of \$18 million and \$16 million, respectively.

Income before provision for income taxes for the three months ended September 30, 2022 and 2021 was \$19 million and \$88 million, respectively, a decrease of \$69 million and is primarily attributable to: (i) the decrease in our operating results of \$48 million, as previously discussed and (ii) an increase in interest expense of \$35 million, partially offset by a favorable net change in Foreign exchange and other of \$12 million.

Net loss attributable to Bausch + Lomb for the three months ended September 30, 2022 was \$18 million, as compared to Net income attributable to Bausch + Lomb for the three months ended September 30, 2021 of \$60 million, a decrease in our results of \$78 million and was primarily due to the decreases in Income before provision for income taxes of \$69 million, as previously discussed, partially offset by a decrease in the Provision for income taxes of \$9 million.

Summary of the Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021

Revenues for the nine months ended September 30, 2022 and 2021 were \$2,772 million and \$2,764 million, respectively, an increase of \$8 million. The increase was attributable to: (i) increases in volumes in each of our segments and (ii) an increase in net realized pricing in our Vision Care segment, partially offset by decreases in net realized pricing in our Ophthalmic Pharmaceuticals segment. These increases were also partially offset by: (i) the unfavorable impact of foreign currencies across all our international businesses and (ii) the impact of divestitures and discontinuations.

Operating income for the nine months ended September 30, 2022 and 2021 was \$156 million and \$237 million, respectively, a decrease of \$81 million which reflects, among other factors:

- a decrease in contribution (product sales revenue less cost of goods sold, exclusive of amortization and impairments of intangible assets) of \$25 million, primarily driven by: (i) higher manufacturing variances, driven by inflationary pressures and higher manufacturing efficiency ramp-up costs of our Daily SiHy lenses and (ii) year-over-year changes in product mix. The higher manufacturing variances were partially offset by the non-recurrence of prior year charges related to a quality issue at a third-party supplier, as discussed below;
- an increase in SG&A expenses of \$68 million, primarily attributable to: (i) higher professional fees and higher compensation expenses, primarily related to separation-related costs and dis-synergy costs associated with the Company becoming a stand-alone entity and (ii) higher selling expenses, primarily related to freight, partially offset by the favorable impact of foreign currencies;
- an increase in R&D of \$28 million primarily due to higher medical device regulation costs;
- a decrease in Amortization of intangible assets of \$37 million, primarily due to fully amortized intangible assets no longer being amortized in 2022; and
- a decrease in Other expense, net of \$5 million, primarily due to: (i) lower asset impairment charges and (ii) a fair value adjustment related to acquisition-related contingent consideration, partially offset by higher restructuring, integration and separation costs.

Operating income for the nine months ended September 30, 2022 and 2021 was \$156 million and \$237 million, respectively, and includes non-cash charges for Depreciation and amortization of intangible assets of \$286 million and \$315 million and Share-based compensation of \$45 million and \$45 million, respectively.

Income before provision for income taxes for the nine months ended September 30, 2022 and 2021 was \$75 million and \$232 million, respectively, a decrease of \$157 million and is primarily attributable to: (i) an increase in interest expense of \$99 million and (ii) the decrease in our operating results of \$81 million, as previously discussed, partially offset by a favorable net change in Foreign exchange and other of \$20 million.

Net income attributable to Bausch + Lomb for the nine months ended September 30, 2022 was \$7 million, as compared to Net income attributable to Bausch + Lomb for the nine months ended September 30, 2021 of \$131 million, a decrease in our results of \$124 million and was primarily due to the decreases in Income before provision for income taxes of \$157 million, as previously discussed, partially offset by a decrease in the Provision for income taxes of \$33 million.

RESULTS OF OPERATIONS

Our unaudited operating results for the three and nine months ended September 30, 2022 and 2021 were as follows:

<i>(in millions)</i>	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change	2022	2021	Change
Revenues						
Product sales	\$ 937	\$ 941	\$ (4)	\$ 2,755	\$ 2,743	\$ 12
Other revenues	5	8	(3)	17	21	(4)
	<u>942</u>	<u>949</u>	<u>(7)</u>	<u>2,772</u>	<u>2,764</u>	<u>8</u>
Expenses						
Cost of goods sold (excluding amortization and impairments of intangible assets) (Note 4)	370	361	9	1,093	1,056	37
Cost of other revenues	2	3	(1)	6	8	(2)
Selling, general and administrative (Note 4)	381	348	33	1,092	1,024	68
Research and development (Note 4)	77	63	14	229	201	28
Amortization of intangible assets	59	72	(13)	188	225	(37)
Other expense, net	7	8	(1)	8	13	(5)
	<u>896</u>	<u>855</u>	<u>41</u>	<u>2,616</u>	<u>2,527</u>	<u>89</u>
Operating income	<u>46</u>	<u>94</u>	<u>(48)</u>	<u>156</u>	<u>237</u>	<u>(81)</u>
Interest income	2	—	2	3	—	3
Interest expense (Note 4)	(35)	—	(35)	(99)	—	(99)
Foreign exchange and other	6	(6)	12	15	(5)	20
Income before provision for income taxes	<u>19</u>	<u>88</u>	<u>(69)</u>	<u>75</u>	<u>232</u>	<u>(157)</u>
Provision for income taxes	(34)	(25)	(9)	(60)	(93)	33
Net (loss) income	<u>(15)</u>	<u>63</u>	<u>(78)</u>	<u>15</u>	<u>139</u>	<u>(124)</u>
Net income attributable to noncontrolling interest	(3)	(3)	—	(8)	(8)	—
Net (loss) income attributable to Bausch + Lomb Corporation	<u>\$ (18)</u>	<u>\$ 60</u>	<u>\$ (78)</u>	<u>\$ 7</u>	<u>\$ 131</u>	<u>\$ (124)</u>

Three Months Ended September 30, 2022 Compared to the Three Months Ended September 30, 2021

Revenues

Our revenues are primarily generated from product sales in the therapeutic areas of eye health that consist of: (i) branded prescription eye-medications and pharmaceuticals, (ii) generic and branded generic prescription eye medications and pharmaceuticals, (iii) OTC vitamin and supplement products and (iv) medical devices (contact lenses, intraocular lenses and ophthalmic surgical equipment). Other revenues include alliance and service revenue from the licensing and co-promotion of products and contract service revenue. Contract service revenue is derived primarily from contract manufacturing for third parties and is not material.

Our revenues were \$942 million and \$949 million for the three months ended September 30, 2022 and 2021, respectively, a decrease of \$7 million, or 1%. The decrease was attributable to: (i) the unfavorable impact of foreign currencies across all our international businesses of \$55 million primarily in Europe and Asia and (ii) the impact of divestitures and discontinuations of \$1 million, related to the discontinuation of certain products. These decreases were partially offset by increases in: (i) volumes of \$25 million and (ii) net realized pricing of \$24 million, primarily within our Vision Care segment. The increase in volumes was due to: (i) new launches within our international contact lens business, (ii) increased demand of consumables and IOLs within our Surgical segment and (iii) increased demand and new launches within our Ophthalmic Pharmaceuticals segment.

The changes in our segment revenues and segment profits for the three months ended September 30, 2022 are discussed in further detail in the respective subsequent sections titled “—Reportable Segment Revenues and Profits.”

Cash Discounts and Allowances, Chargebacks and Distribution Fees

As is customary in the health care industry, gross product sales are subject to a variety of deductions in arriving at net product sales. Provisions for these deductions are recognized concurrently with the recognition of gross product sales. These provisions include cash discounts and allowances, chargebacks, and distribution fees, which are paid or credited to direct

customers, as well as rebates and returns, which can be paid or credited to direct and indirect customers. Provision balances relating to amounts payable to direct customers are netted against trade receivables and balances relating to indirect customers are included in accrued liabilities.

We actively manage these offerings, focusing on the incremental costs of our patient assistance programs, the level of discounting to non-retail accounts and identifying opportunities to minimize product returns. We also concentrate on managing our relationships with our payors and wholesalers, reviewing the ranges of our offerings and being disciplined as to the amount and type of incentives we negotiate. Provisions recorded to reduce gross product sales to net product sales and revenues for the three months ended September 30, 2022 and 2021 were as follows:

<i>(in millions)</i>	Three Months Ended September 30,			
	2022		2021	
	Amount	Pct.	Amount	Pct.
Gross product sales	\$ 1,297	100.0 %	\$ 1,268	100.0 %
Provisions to reduce gross product sales to net product sales				
Discounts and allowances	85	6.60 %	87	6.90 %
Returns	17	1.30 %	13	0.90 %
Rebates	133	10.30 %	133	10.50 %
Chargebacks	119	9.10 %	90	7.10 %
Distribution fees	6	0.50 %	4	0.40 %
Total provisions	360	27.80 %	327	25.80 %
Net product sales	937	72.20 %	941	74.20 %
Other revenues	5		8	
Revenues	\$ 942		\$ 949	

Cash discounts and allowances, returns, rebates, chargebacks and distribution fees as a percentage of gross product sales were 27.8% and 25.8% for the three months ended September 30, 2022 and 2021, respectively, an increase of 2.0% percentage points, and is primarily attributable to the increase in chargebacks as a percentage of revenues. Chargebacks were \$119 million and \$90 million for the three months ended September 30, 2022 and 2021, respectively, an increase of \$29 million. The increase in chargebacks is primarily attributable to our generics portfolio as a result of product and customer mix and lower contract pricing due to increased competition on certain products.

Operating Expenses

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

Cost of goods sold primarily includes: manufacturing and packaging; the cost of products we purchase from third parties; royalty payments we make to third parties; depreciation of manufacturing facilities and equipment; and lower of cost or market adjustments to inventories. Cost of goods sold typically vary between periods as a result of product mix, volume, royalties, changes in foreign currency and inflation. Cost of goods sold excludes the amortization and impairments of intangible assets.

Cost of goods sold was \$370 million and \$361 million for the three months ended September 30, 2022 and 2021, respectively, an increase of \$9 million, or 2%. The increase was primarily driven by: (i) higher manufacturing variances, driven by inflationary pressures and higher manufacturing efficiency ramp-up costs of our Daily SiHy lenses and (ii) higher volumes, as previously discussed, partially offset by the favorable impact of foreign currencies. We continue to monitor the impact of inflationary pressures on our operating results, particularly on our manufacturing costs, and we expect higher year over year manufacturing variances for the remainder of 2022 as a result of inflation.

Cost of goods sold as a percentage of Product sales was 39.5% and 38.4% for the three months ended September 30, 2022 and 2021, respectively, an increase of 1%, primarily as a result of inflationary pressures related to certain manufacturing costs, partially offset by the increase in net realized pricing.

Selling, General and Administrative Expenses

SG&A expenses primarily include: employee compensation associated with sales and marketing, finance, legal, information technology, human resources and other administrative functions; certain outside legal fees and consultancy costs; product promotion expenses; overhead and occupancy costs; depreciation of corporate facilities and equipment; and other general and administrative costs. In connection with the Separation, the Company has also incurred, and expects to continue

to incur separation and separation-related costs associated with activities taken to: (i) separate the Bausch + Lomb business from the remainder of BHC and (ii) register the Bausch + Lomb business as an independent publicly traded entity

SG&A expenses were \$381 million and \$348 million for the three months ended September 30, 2022 and 2021, respectively, an increase of \$33 million, or 9%. The increase was primarily attributable to: (i) higher professional fees and higher compensation expenses, primarily related to separation-related costs and dis-synergy costs associated with the Company becoming a stand-alone entity and (ii) higher selling expenses, primarily related to freight, partially offset by the favorable impact of foreign currencies.

Research and Development Expenses

Included in R&D 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 \$77 million and \$63 million for the three months ended September 30, 2022 and 2021, respectively, an increase of \$14 million, or 22%. R&D expenses as a percentage of Product sales were approximately 8.0% and 7.0% for the three months ended September 30, 2022 and 2021, respectively. The increase in R&D expenses is primarily due to higher medical device regulation costs.

Amortization of Intangible Assets

Intangible assets with finite lives are amortized using the straight-line method over their estimated useful lives, generally 1 to 17 years. Management continually assesses the useful lives related to our long-lived assets to reflect the most current assumptions.

Amortization of Intangible assets was \$59 million and \$72 million for the three months ended September 30, 2022 and 2021, respectively, a decrease of \$13 million primarily due to fully amortized intangible assets no longer being amortized in 2022.

See Note 8, “INTANGIBLE ASSETS AND GOODWILL” to our unaudited interim Condensed Consolidated Financial Statements for further details related to the Amortization of intangible assets.

Other expense, net

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

<i>(in millions)</i>	Three Months Ended September 30,	
	2022	2021
Asset impairments	\$ 1	\$ 8
Restructuring, integration and separation costs	5	—
Acquired in-process research and development costs	1	—
Other expense, net	<u>\$ 7</u>	<u>\$ 8</u>

Non-Operating Income and Expense

Interest Expense

Interest expense primarily consists of interest payments due, amortization of debt discounts and deferred issuance costs on indebtedness under our credit facilities and interest previously due on a promissory note to BHC.

Interest expense was \$35 million and \$0 for the three months ended September 30, 2022 and 2021, respectively, an increase of \$35 million. The increase is primarily attributable to interest associated with the Term Facility (as defined and discussed in further detail, under Item “— Liquidity and Capital Resources — Liquidity and Debt — Long-term Debt”) entered into May 2022. See Note 10, “CREDIT FACILITIES” to our unaudited interim Condensed Consolidated Financial Statements for further details regarding the Term Facility.

Foreign Exchange and Other

Foreign exchange and other primarily includes translation gains/losses on intercompany loans and third-party liabilities and the gain/loss due to the change in fair value of foreign currency exchange contracts. Foreign exchange and other was a net gain of \$6 million and a loss of \$6 million for the three months ended September 30, 2022 and 2021, respectively.

Income Taxes

Provision for income taxes were \$34 million and \$25 million for the three months ended September 30, 2022 and 2021, respectively, an increase of \$9 million. The increase in income taxes was primarily related to: (i) a change in the jurisdictional mix of earnings and (ii) discrete tax effects of: (a) changes in uncertain tax positions, (b) the filing of certain tax returns and (c) a change in the deduction for stock compensation.

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

Reportable Segment Revenues and Profits

The following is a brief description of Bausch + Lomb's segments:

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

Segment profit is based on operating income after the elimination of intercompany transactions. Certain costs, such as Amortization of intangible assets 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 Condensed Consolidated Financial Statements for a reconciliation of segment profit to Income before provision for 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 September 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 September 30, 2022 and 2021.

<i>(in millions)</i>	Three Months Ended September 30,					
	2022		2021		Change	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Segment Revenues						
Vision Care	\$ 598	64 %	\$ 605	64 %	\$ (7)	(1)%
Ophthalmic Pharmaceuticals	172	18 %	171	18 %	1	1 %
Surgical	172	18 %	173	18 %	(1)	(1)%
Total revenues	<u>\$ 942</u>	<u>100 %</u>	<u>\$ 949</u>	<u>100 %</u>	<u>\$ (7)</u>	<u>(1)%</u>
Segment Profits / Segment Profit Margins						
Vision Care	\$ 167	28 %	\$ 145	24 %	\$ 22	15 %
Ophthalmic Pharmaceuticals	50	29 %	74	43 %	(24)	(32)%
Surgical	9	5 %	26	15 %	(17)	(65)%
Total segment profits	<u>\$ 226</u>	<u>24 %</u>	<u>\$ 245</u>	<u>26 %</u>	<u>\$ (19)</u>	<u>(8)%</u>

Organic Revenues and Organic Growth Rates (non-GAAP)

Organic growth, a non-GAAP measure, is defined as a change on a period-over-period basis in revenues on a constant currency basis (if applicable) excluding the impact of recent acquisitions, divestitures and discontinuations. Organic revenue growth (non-GAAP) is growth in Revenue (its most directly comparable GAAP financial measure), adjusted for certain items, of businesses that have been owned for one or more years. 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 growth (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 such measures are useful to investors as they provide a supplemental period-to-period comparison.

Organic revenue growth (non-GAAP) reflects adjustments for: (i) the impact of period-over-period changes in foreign currency exchange rates on revenues and (ii) the revenues associated with acquisitions, divestitures and discontinuations of businesses divested and/or discontinued. These adjustments are determined 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 the 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.

Non-GAAP financial measures and non-GAAP ratios are not prepared in accordance with GAAP nor do they have any standardized meaning under GAAP. In addition, other companies may use similarly titled non-GAAP financial measures and ratios that are calculated differently from the way we calculate such measures and ratios. Accordingly, the Company's non-GAAP financial measures and ratios may not be comparable to such similarly titled non-GAAP financial measures and ratios used by other companies.

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

	Three Months Ended September 30, 2022			Three Months Ended September 30, 2021			Change in Organic Revenue (Non-GAAP)	
	Revenue as Reported	Changes in Exchange Rates	Organic Revenue (Non-GAAP)	Revenue as Reported	Divestitures and Discontinuations	Organic Revenue (Non-GAAP)	Amount	Pct.
<i>(in millions)</i>								
Vision Care	\$ 598	\$ 34	\$ 632	\$ 605	\$ —	\$ 605	\$ 27	4 %
Ophthalmic Pharmaceuticals	172	8	180	171	—	171	9	5 %
Surgical	172	13	185	173	(1)	172	13	8 %
Total	\$ 942	\$ 55	\$ 997	\$ 949	\$ (1)	\$ 948	\$ 49	5 %

Vision Care Segment:

Vision Care Segment Revenue

The Vision Care segment revenue was \$598 million and \$605 million for the three months ended September 30, 2022 and 2021, respectively, a decrease of \$7 million, or 1%. The decrease was driven by the unfavorable impact of foreign currencies of \$34 million, primarily in Asia and Europe. The decrease was partially offset by: (i) an increase in net pricing of \$23 million primarily within our consumer eye care business and (ii) an increase in volumes of \$4 million, primarily due to new launches within our international contact lens business.

Vision Care Segment Profit

The Vision Care segment profit was \$167 million and \$145 million for the three months ended September 30, 2022 and 2021, respectively, an increase of \$22 million, or 15%. The increase was primarily driven by: (i) a decrease in R&D expense

primarily in our U.S. contact lens business and (ii) a decrease in SG&A, primarily due to the favorable impact of foreign currencies on the Company's expenses. These decreases were partially offset by higher manufacturing variances, primarily within our contact lens business, driven by inflationary pressures and higher manufacturing efficiency ramp-up costs of our Daily SiHy lenses.

Ophthalmic Pharmaceuticals Segment:

Ophthalmic Pharmaceuticals Segment Revenue

The Ophthalmic Pharmaceuticals segment revenue was \$172 million and \$171 million for the three months ended September 30, 2022 and 2021, respectively, an increase of \$1 million, or 1%. The increase was driven by an increase in volumes of \$10 million, primarily due to increased demand and new launches. This increase was partially offset by: (i) the unfavorable impact of foreign currencies of \$8 million, primarily in Europe and (ii) a decrease in net pricing of \$1 million.

Ophthalmic Pharmaceuticals Segment Profit

The Ophthalmic Pharmaceuticals segment profit was \$50 million and \$74 million for the three months ended September 30, 2022 and 2021, respectively, a decrease of \$24 million, or 32%. The decrease was primarily driven by: (i) higher R&D expense and (ii) higher advertising and promotional costs due to newly launched products, such as XIPERE[®] in the first quarter of 2022.

Surgical Segment:

Surgical Segment Revenue

The Surgical segment revenue was \$172 million and \$173 million for the three months ended September 30, 2022 and 2021, respectively, a decrease of \$1 million, or 1%. The decrease was driven by the unfavorable effect of foreign currencies of \$13 million, primarily in Europe and (ii) the impact of divestitures and discontinuations of \$1 million, related to the discontinuation of certain products. These decreases were partially offset by: (i) an increase in volumes of \$11 million, primarily due to increased demand of consumables and intraocular lenses and (ii) an increase in net realized pricing of \$2 million.

Surgical Segment Profit

The Surgical segment profit was \$9 million and \$26 million for the three months ended September 30, 2022 and 2021, respectively, a decrease of \$17 million, or 65%. The decrease was primarily driven by: (i) higher R&D expense and (ii) higher SG&A expense.

Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021

Revenues

Our revenues were \$2,772 million and \$2,764 million for the nine months ended September 30, 2022 and 2021, respectively, an increase of \$8 million, or less than 1%. The increase was attributable to increases in: (i) volumes of \$113 million across each of our segments and (ii) net realized pricing of \$32 million. The increase in volumes was primarily driven by: (i) our consumer eye care business, driven by: (a) increased demand for Lumify[®], Biotrue[®] and PreserVision[®] and (b) the non-recurrence of a third-party supplier quality issue on the prior year revenues of certain consumer eye care products, as discussed below, (ii) increased demand of consumables and intraocular lenses within our Surgical segment and (iii) increased demand and new launches within our Ophthalmic Pharmaceuticals Segment. These increases in volume were partially offset by the impact of the COVID-19 pandemic during the first half of the year on our contact lens business in China. The increases in revenue were partially offset by: (i) the unfavorable impact of foreign currencies across all our international businesses of \$130 million, primarily in Europe and Asia, and (ii) the impact of divestitures and discontinuations of \$7 million, related to the discontinuation of certain products.

The changes in our segment revenues and segment profits for the nine months ended September 30, 2022 are discussed in further detail in the respective subsequent sections titled “—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 nine months ended September 30, 2022 and 2021 were as follows:

<i>(in millions)</i>	Nine Months Ended September 30,			
	2022		2021	
	Amount	Pct.	Amount	Pct.
Gross product sales	\$ 3,802	100.0 %	\$ 3,696	100.0 %
Provisions to reduce gross product sales to net product sales				
Discounts and allowances	245	6.40 %	250	6.80 %
Returns	52	1.40 %	58	1.60 %
Rebates	403	10.60 %	389	10.50 %
Chargebacks	330	8.70 %	243	6.50 %
Distribution fees	17	0.40 %	13	0.40 %
Total provisions	1,047	27.50 %	953	25.80 %
Net product sales	2,755	72.50 %	2,743	74.20 %
Other revenues	17		21	
Revenues	\$ 2,772		\$ 2,764	

Cash discounts and allowances, returns, rebates, chargebacks and distribution fees as a percentage of gross product sales were 27.5% and 25.8% for the nine months ended September 30, 2022 and 2021, respectively, an increase of 1.7 percentage points, and is primarily attributable to the increase in chargebacks as a percentage of revenues. Chargebacks were \$330 million and \$243 million for the nine months ended September 30, 2022 and 2021, respectively, an increase of \$87 million. The increase in chargebacks is primarily attributable to our generics portfolio as a result of product and customer mix and lower contract pricing due to increased competition on certain products.

Operating Expenses

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

Cost of goods sold was \$1,093 million and \$1,056 million for the nine months ended September 30, 2022 and 2021, respectively, an increase of \$37 million, or 4%. The increase was primarily driven by: (i) higher volumes, as previously discussed and (ii) higher manufacturing variances, driven by inflationary pressures and higher manufacturing efficiency ramp-up costs of our Daily SiHy lenses, partially offset by the favorable impact of foreign currencies. The higher manufacturing variances were partially offset by the non-recurrence of prior year charges related to a quality issue at a third-party supplier, as discussed below. We continue to monitor the impact of inflationary pressures on our operating results, particularly on our manufacturing costs, and we expect higher year over year manufacturing variances for the remainder of 2022 as a result of inflation.

In 2021, we were notified by a third-party supplier of sterilization services for our lens care solution bottles and caps at our Milan, Italy facility, of inconsistencies in the sterilization data versus certificates of conformance previously submitted to us by that supplier. Based on our internal Health and Safety Analysis, it was determined that this issue did not affect the safety or performance of any of our products and was limited to a specific number of lots for certain consumer eye care products within our Vision Care segment. However, out of an abundance of caution and working with the appropriate notified body and responsible health authorities, we contained and/or recalled down to the consumer level the limited number of affected lots of products resulting in \$8 million of manufacturing variances and \$6 million of returns during the nine months ended September 30, 2021. Further, although our Greenville, South Carolina facility increased production to support some of the demand in the near term, due to the limited availability of qualified materials, production at the Milan facility could not keep up with demand which negatively impacted our sales for the affected products in this region during the nine months ended September 30, 2021. During the third quarter of 2021, we had removed this supplier from our Approved Supplier List and qualified another sterilization supplier, who, along with an existing secondary supplier, will provide bottle sterilization, thereby allowing our Milan facility to return to full production capacity.

Cost of goods sold as a percentage of Product sales was 39.7% and 38.5% for the nine months ended September 30, 2022 and 2021, respectively, an increase of 1.2% primarily attributable to: (i) higher manufacturing variances and (ii) year-over-year changes in product mix.

Selling, General and Administrative Expenses

SG&A expenses were \$1,092 million and \$1,024 million for the nine months ended September 30, 2022 and 2021, respectively, an increase of \$68 million, or 7%. The increase was primarily attributable to: (i) higher professional fees and higher compensation expenses, primarily related to separation-related costs and dis-synergy costs associated with the Company becoming a stand-alone entity and (ii) higher selling expenses, primarily related to freight, partially offset by the favorable impact of foreign currencies.

Research and Development Expenses

R&D expenses were \$229 million and \$201 million for the nine months ended September 30, 2022 and 2021, respectively, an increase of \$28 million, or 14%. The increase in R&D expenses is primarily due to higher medical device regulation costs and due to R&D spend not beginning to normalize until the second half of 2021, as a result of the COVID-19 pandemic, as discussed below. R&D expenses as a percentage of Product sales were approximately 8% and 7% for the nine months ended September 30, 2022 and 2021, respectively.

In 2020, 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 in response to the COVID-19 pandemic. During our third quarter of 2020, many of these trial sites began to reopen and the pace of new patient enrollments increased heading into 2021. During 2021, these activities and related R&D spend gradually increased until they approached a normalized spend rate toward the end of the year. 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 the virus 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

Amortization of Intangible assets was \$188 million and \$225 million for the nine months ended September 30, 2022 and 2021, respectively, a decrease of \$37 million, primarily due to fully amortized intangible assets no longer being amortized in 2022.

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

Other expense, net

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

<i>(in millions)</i>	Nine Months Ended September 30,	
	2022	2021
Asset impairments	\$ 1	\$ 11
Restructuring, integration and separation costs	11	1
Acquired in-process research and development costs	1	1
Acquisition-related contingent consideration	(5)	—
Other expense, net	<u>\$ 8</u>	<u>\$ 13</u>

Non-Operating Income and Expense

Interest Expense

Interest expense was \$99 million and \$0 for the nine months ended September 30, 2022 and 2021, respectively, an increase of \$99 million. The increase is primarily attributable to interest associated with: (i) the Term Facility (as defined and discussed in further detail, under Item “— Liquidity and Capital Resources — Liquidity and Debt — Long-term Debt”) entered into May 2022 and (ii) BHC Purchase Debt (as defined below) entered into in January 2022. See Note 10, “CREDIT FACILITIES” to our unaudited interim Condensed Consolidated Financial Statements for further details regarding the Term Facility.

On January 1, 2022, in anticipation of the B+L IPO, Bausch + Lomb issued a \$2,200 million promissory note to BHC (the “BHC Purchase Debt”) in conjunction with a legal reorganization. Included in Interest expense for the nine months ended September 30, 2022 was \$47 million of interest attributed to the BHC Purchase Debt. The BHC Purchase Debt was repaid in full on May 10, 2022. See Note 4, “RELATED PARTIES” to our unaudited interim Condensed Consolidated Financial Statements for further details.

Foreign Exchange and Other

Foreign exchange and other was a net gain of \$15 million and a loss of \$5 million for the nine months ended September 30, 2022 and 2021, respectively.

Income Taxes

Provision for income taxes were \$60 million and \$93 million for the nine months ended September 30, 2022 and 2021, respectively, a favorable change of \$33 million. The decrease in income taxes was primarily related to: (i) a change in the jurisdictional mix of earnings and (ii) discrete tax effects of: (a) internal restructurings in 2021, (b) changes in uncertain tax positions, (c) the filings of certain tax returns and (d) a change in the deduction for stock compensation.

See Note 16, “INCOME TAXES” to our unaudited interim Condensed 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 period-over-period changes in segment revenues for the nine months ended September 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 nine months ended September 30, 2022 and 2021.

<i>(in millions)</i>	Nine Months Ended September 30,					
	2022		2021		Change	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Segment Revenues						
Vision Care	\$ 1,747	63 %	\$ 1,717	62 %	\$ 30	2 %
Ophthalmic Pharmaceuticals	495	18 %	527	19 %	(32)	(6)%
Surgical	530	19 %	520	19 %	10	2 %
Total revenues	<u>\$ 2,772</u>	<u>100 %</u>	<u>\$ 2,764</u>	<u>100 %</u>	<u>\$ 8</u>	<u>— %</u>
Segment Profits / Segment Profit Margins						
Vision Care	\$ 471	27 %	\$ 431	25 %	\$ 40	9 %
Ophthalmic Pharmaceuticals	142	29 %	208	39 %	(66)	(32)%
Surgical	35	7 %	55	11 %	(20)	(36)%
Total segment profits	<u>\$ 648</u>	<u>23 %</u>	<u>\$ 694</u>	<u>25 %</u>	<u>\$ (46)</u>	<u>(7)%</u>

The following table presents a reconciliation of Revenues to organic revenues (non-GAAP) and the period-over-period changes in organic revenue (non-GAAP) for the nine months ended September 30, 2022 and 2021. Organic revenues (non-GAAP) and organic growth (non-GAAP) rates are defined in the previous section titled “Reportable Segment Revenues and Profits”.

<i>(in millions)</i>	Nine Months Ended September 30, 2022			Nine Months Ended September 30, 2021			Change in Organic Revenue (Non-GAAP)	
	Revenue as Reported	Changes in Exchange Rates	Organic Revenue (Non-GAAP)	Revenue as Reported	Divestitures and Discontinuities	Organic Revenue (Non-GAAP)	Amount	Pct.
	Vision Care	\$ 1,747	\$ 82	\$ 1,829	\$ 1,717	\$ —	\$ 1,717	\$ 112
Ophthalmic Pharmaceuticals	495	18	513	527	—	527	(14)	(3)%
Surgical	530	30	560	520	(7)	513	47	9 %
Total	<u>\$ 2,772</u>	<u>\$ 130</u>	<u>\$ 2,902</u>	<u>\$ 2,764</u>	<u>\$ (7)</u>	<u>\$ 2,757</u>	<u>\$ 145</u>	<u>5 %</u>

Vision Care Segment:

Vision Care Segment Revenue

The Vision Care segment revenue was \$1,747 million and \$1,717 million for the nine months ended September 30, 2022 and 2021, respectively, an increase of \$30 million, or 2%. The increase was driven by: (i) an increase in net pricing of \$58 million, primarily due to pricing increases across certain contact lens and consumer products and (ii) an increase in volumes of \$54 million. The increase in volumes was primarily due to: (i) increased demand for Lumify[®], Biotrue[®] and PreserVision[®] within our consumer eye care business, (ii) the non-recurrence of a third-party supplier quality issue on the prior year revenues of certain consumer eye care products, as previously discussed, and (iii) new launches within our international contact lens business. These increases were partially offset by: (i) the unfavorable impact of foreign currencies of \$82 million, primarily in Europe and Asia and (ii) the impact of the COVID-19 pandemic during the first half of the year on our contact lens business in China.

Vision Care Segment Profit

The Vision Care segment profit was \$471 million and \$431 million for the nine months ended September 30, 2022 and 2021, respectively, an increase of \$40 million, or 9%. The increase was primarily driven by: (i) the increase in net realized pricing and volumes as previously discussed, (ii) lower R&D expense, primarily in our U.S. contact lens, (iii) lower advertising and promotional expenses, primarily in our U.S. contact lens and International consumer businesses and (iv) lower G&A expenses in the U.S. consumer eye care and contact lens businesses. These increases were partially offset by: (i)

higher manufacturing variances, driven by inflationary pressures and higher manufacturing efficiency ramp-up costs of our Daily SiHy lenses and (ii) higher selling expenses primarily due to increased freight costs. The higher manufacturing costs were partially offset by the non-recurrence of prior year charges related to a quality issue at a third-party supplier, as discussed above.

Ophthalmic Pharmaceuticals Segment:

Ophthalmic Pharmaceuticals Segment Revenue

The Ophthalmic Pharmaceuticals segment revenue was \$495 million and \$527 million for the nine months ended September 30, 2022 and 2021, respectively, a decrease of \$32 million, or 6%. The decrease was driven by: (i) a decrease in net realized pricing of \$31 million due to higher chargeback rates for certain generics products as a result of product and customer mix and lower contract pricing due to increased competition on certain products and (ii) the unfavorable impact of foreign currencies of \$18 million, partially offset by an increase in volumes of \$17 million, primarily in Europe.

Ophthalmic Pharmaceuticals Segment Profit

The Ophthalmic Pharmaceuticals segment profit was \$142 million and \$208 million for the nine months ended September 30, 2022 and 2021, respectively, a decrease of \$66 million, or 32%. The decrease was primarily driven by: (i) the decrease in net realized pricing, as previously discussed, (ii) higher selling, advertising and promotional expenses, primarily as a result of newly launched products, such as XIPERE[®] in the first quarter of 2022 and (iii) higher R&D expense.

Surgical Segment:

Surgical Segment Revenue

The Surgical segment revenue was \$530 million and \$520 million for the nine months ended September 30, 2022 and 2021, respectively, an increase of \$10 million, or 2%. The increase was driven by: (i) an increase in volumes of \$42 million, primarily due to increased demand of consumables and intraocular lenses and (ii) an increase in net realized pricing of \$5 million. These increases were partially offset by: (i) the unfavorable effect of foreign currencies of \$30 million, primarily in Europe and (ii) the impact of divestitures and discontinuations of \$7 million, related to the discontinuation of certain products.

Surgical Segment Profit

The Surgical segment profit was \$35 million and \$55 million for the nine months ended September 30, 2022 and 2021, respectively, a decrease of \$20 million, or 36%. The decrease was primarily driven by: (i) higher selling, advertising and promotional expenses and (ii) higher R&D expenses. These decreases were partially offset by the increase in volumes, as previously discussed.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

<i>(in millions)</i>	Nine Months Ended September 30,		
	2022	2021	Change
Net cash provided by operating activities	\$ 186	\$ 711	\$ (525)
Net cash used in investing activities	(125)	(133)	8
Net cash provided by (used in) financing activities	88	(675)	763
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(29)	(8)	(21)
Net increase in cash and cash equivalents and restricted cash	120	(105)	225
Cash and cash equivalents and restricted cash, beginning of period	177	238	(61)
Cash and cash equivalents and restricted cash, end of period	<u>\$ 297</u>	<u>\$ 133</u>	<u>\$ 164</u>

Operating Activities

Net cash provided by operating activities was \$186 million and \$711 million for the nine months ended September 30, 2022 and 2021, respectively, a decrease of \$525 million. The decrease is primarily attributable to: (i) the change in our operating assets and liabilities, primarily driven by an increase in inventories and the timing of payments in the ordinary course of business, (ii) the decrease in our operating results, as previously discussed and (iii) the change in deferred income taxes.

Investing Activities

Net cash used in investing activities was \$125 million and \$133 million for the nine months ended September 30, 2022 and 2021, respectively, a decrease of \$8 million and was primarily driven by: (i) an increase in Proceeds from sale of marketable securities and (ii) a decrease in Purchases of property, plant and equipment.

Financing Activities

Net cash provided by financing activities was \$88 million for the nine months ended September 30, 2022 as compared to Net cash used in financing activities of \$675 million for the nine months ended September 30, 2021, an increase of \$763 million. The increase is primarily attributable to the issuance of long-term debt, net of \$2,440 million, related to the Term Facility (defined below), partially offset by intercompany transactions between Bausch + Lomb and our parent company, BHC. These intercompany transactions include: (i) Net transfers to BHC of \$2,363 million and \$665 million for the nine months ended September 30, 2022 and 2021, respectively and (ii) Net borrowings under BHC pooled financing arrangements of \$31 million and \$0 for the nine months ended September 30, 2022 and 2021, respectively. For further details regarding Net transfers to BHC, see Note 4, "RELATED PARTIES" to our unaudited interim Condensed Consolidated Financial Statements.

Liquidity and Debt

Future Sources of Liquidity

Our primary sources of liquidity are expected to be our cash and cash equivalents, cash collected from customers, funds as available from our Revolving Credit Facility (as defined below), and issuances of other long-term debt, additional equity and equity-linked securities not anticipated as of the date of this filing. We believe these sources will be sufficient to meet our current liquidity needs for the next twelve months and be sufficient to support our future cash needs, however, we can provide no assurance that our liquidity and capital resources will meet future funding requirements.

The global financial markets recently have undergone and may continue to experience significant volatility and disruption. The timing and sustainability of an economic recovery is uncertain and additional macroeconomic, business and financial disruptions may arise. As markets change, there can be no assurance that the challenging economic environment or a further economic downturn would not impact our liquidity or our ability to obtain future financing.

We will regularly evaluate market conditions, our liquidity profile, and various financing alternatives for opportunities to enhance our capital structure. If opportunities are favorable, we may from time to time enter into new financing arrangements, refinance the Credit Facilities or repurchase debt, or issue additional equity and equity-linked securities.

Long-term Debt

Prior to the B+L IPO, we participated in BHC's cash management arrangements, and generally all of our excess cash was transferred to BHC periodically. Cash disbursements for operations and/or investing activities were funded as needed by BHC. Cash and cash equivalents and Restricted cash as presented in our Combined Financial Statements for the year ended December 31, 2021, which are included in Bausch + Lomb's final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act relating to Bausch + Lomb's Registration Statement on Form S-1 and in Bausch + Lomb's supplemented PREP prospectus as filed with the CSA on May 5, 2022 and in our unaudited interim Condensed Consolidated Financial Statements are amounts recorded on legal entities dedicated to Bausch + Lomb.

On May 10, 2022, in connection with the B+L IPO and in order to properly capitalize our business, Bausch + Lomb entered into a credit agreement (the "Credit Agreement", and the credit facilities thereunder, the "Credit Facilities") providing for a term loan of \$2,500 million with a five-year term to maturity (the "Term Facility") and a five-year revolving credit facility of \$500 million (the "Revolving Credit Facility" or such financing, the "Debt Financing"). As of September 30, 2022, the Company had no outstanding borrowings, \$9 million of issued and outstanding letters of credit and remaining availability of \$491 million under its Revolving Credit Facility. The 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 loan is 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.

Currently, we are a restricted subsidiary under the credit agreement and senior notes indentures of BHC (the "BHC Credit Agreement") and Bausch Health Americas, Inc. (collectively the "BHC Indentures") and the senior note indentures of BHC, under which BHC had an aggregate amount of \$17,080 million in outstanding indebtedness as of September 30, 2022 (which excludes amounts under our Credit Facilities). Although neither we nor our subsidiaries are guarantors of such debt, our status as a restricted subsidiary means that our ability to take certain actions, including the incurrence of debt, will be restricted by the terms of the BHC Credit Agreement and BHC Indentures. We will remain a restricted subsidiary until BHC designates us as "unrestricted", which is expected to occur at or prior to the distribution anticipated under the proposed

Separation. See “Risk Factors—Risks Relating to the Separation—We expect that we will initially remain a restricted subsidiary under BHC’s credit facilities and indentures at the time of completion of this offering and will be subject to various covenants under these facilities and indentures, which may adversely affect our operations” included in Bausch + Lomb’s final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act relating to Bausch + Lomb’s Registration Statement on Form S-1 and in Bausch + Lomb’s supplemented PREP prospectus as filed with the CSA on May 5, 2022.

Description of Credit Facilities

Borrowings under the Revolving Credit Facility in: (i) U.S. dollars bear interest at a rate per annum equal to, at our option, either (a) a term Secured Overnight Financing Rate (“SOFR”)-based rate or (b) a U.S. dollar base rate, (ii) Canadian dollars bear interest at a rate per annum equal to, at our option, either (a) Canadian Dollar Offered Rate (“CDOR”) or (b) a Canadian dollar prime rate, (iii) euros bear interest at a rate per annum equal to EURIBOR and (iv) pounds sterling bear interest at a rate per annum equal to Sterling Overnight Index Average (“SONIA”) (provided, however, that the term SOFR-based rate, CDOR, EURIBOR and SONIA shall be no less than 0.00% per annum at any time and the U.S. dollar base rate and the Canadian dollar prime rate shall be no less than 1.00% per annum at any time), in each case, plus an applicable margin. Term SOFR-based loans are subject to a credit spread adjustment of 0.10%.

The applicable interest rate margins for borrowings under the 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 SOFR, EURIBOR, SONIA or CDOR borrowings based on the company’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 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 SOFR, EURIBOR, SONIA or CDOR borrowings based on the Company’s debt rating. In addition, we are required to pay commitment fees of 0.25% per annum in respect of the unutilized commitments under the 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 the Company’s debt rating and payable quarterly in arrears. We are 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 SOFR borrowings under the 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 term loan facility bear interest at a rate per annum equal to, at our option, either (i) a term SOFR-based rate, plus an applicable margin of 3.25% or (ii) a U.S. dollar base rate, plus an applicable margin of 2.25% (provided, however, that the term SOFR-based rate shall be no less than 0.50% per annum at any time and the U.S. dollar base rate shall not be lower than 1.50% per annum at any time). Term SOFR-based loans are subject to a credit spread adjustment of 0.10%.

Subject to certain exceptions and customary baskets set forth in the Credit Agreement, the Company is required to make mandatory prepayments of the loans under the 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 Credit Agreement), (iii) 50% of Excess Cash Flow (as defined in the 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 Term Facility is 1.00% per annum and the first installment is payable on September 30, 2022. Bausch + Lomb may direct that prepayments be applied to such amortization payments in order of maturity. Provided, however, that the term SOFR-based rate shall be no less than 0.50% per annum at any time and the U.S. dollar base rate shall not be lower than 1.50% per annum at any time. Term SOFR-based loans are subject to a credit spread adjustment of 0.10%.

Credit Ratings

As of the date of this filing, November 2, 2022, the credit ratings and outlook from Moody's, S&P and Fitch for certain outstanding obligations of Bausch + Lomb were as follows:

Rating Agency	Corporate Rating	Senior Secured Rating	Outlook
Moody's		B1	Negative
Standard & Poor's	CCC+	CCC+	Positive
Fitch	B-	BB-	Rating Watch Evolving

In April 2022, S&P initially assigned Bausch + Lomb a B+ corporate rating and a B+ senior secured rating. On May 31, 2022, S&P lowered these ratings one notch to a B corporate rating and a B senior secured rating. In August 2022, S&P lowered these ratings two notches to a CCC+ corporate rating and a CCC+ senior secured rating simultaneously with its downgrade of the corporate rating and senior secured rating of our parent company BHC. In October 2022, S&P changed its outlook assigned to Bausch + Lomb from developing to positive. In April 2022, Moody's initially assigned Bausch + Lomb a Ba2 senior secured rating and, in August 2022, lowered this rating two notches to a B1 senior secured rating, reflecting a similar downgrade assigned to our parent company BHC. In April 2022, Fitch initially assigned Bausch + Lomb a BB- corporate rating. In August 2022, Fitch lowered this rating one notch to a B+ corporate rating. In October 2022, Fitch lowered this rating two notches to a B- corporate rating, as well as lowered the senior secured rating two notches to BB-. Each of these downgrades reflected a similar downgrade assigned to our parent company BHC. As previously discussed, Bausch + Lomb is a restricted subsidiary under the BHC Credit Agreement and the BHC Indentures and we will remain a restricted subsidiary until BHC designates us as "unrestricted", which is expected to occur at or prior to the distribution anticipated under the proposed Separation. We expect Bausch + Lomb's credit ratings could be capped to that of BHC, until BHC designates us as "unrestricted".

Any downgrade in our corporate credit ratings or senior secured 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 future effect on our results of operations, financial condition, capital expenditures, liquidity, or capital resources.

Other Future Cash Requirements

Our other future cash requirements relate to working capital, capital expenditures, business development transactions (contingent consideration), restructuring and integration, 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 further acquisition opportunities within our core therapeutic areas, some of which could be sizable.

In addition to our working capital requirements, as of the date of this filing, November 2, 2022, we expect our primary cash requirements (excluding the repayments to BHC related to the BHC Purchase Debt and capital return as discussed below) for the period October 1, 2022 through December 31, 2022 to include:

- *Debt repayments and interest*—We expect to make interest payments of approximately \$44 million and mandatory debt amortization payments of \$6 million for the period October 1, 2022 through December 31, 2022 under our Term Facility and may elect to make additional principal payments under certain circumstances. Further, in the ordinary course of business, we may borrow and repay amounts under our Revolving Credit Facility to meet business needs;
- *Capital expenditures*—We expect to make payments of approximately \$75 million for property, plant and equipment for the period October 1, 2022 through December 31, 2022 and;
- *Benefit obligations*—We expect to make aggregate payments under our pension and postretirement obligations of \$3 million for the period October 1, 2022 through December 31, 2022. See Note 11, “PENSION AND POSTRETIREMENT EMPLOYEE BENEFIT PLANS” to our Combined Financial Statements for the year ended December 31, 2021, which were included in Bausch + Lomb’s final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act relating to Bausch + Lomb’s Registration Statement on Form S-1 and in Bausch + Lomb’s supplemented PREP prospectus as filed with the CSA on May 5, 2022.

Repayment of BHC Purchase Debt and Capital Return

As discussed in detail in Note 4, “RELATED PARTIES” to our unaudited interim Condensed Consolidated Financial Statements, on May 10, 2022, in connection with the B+L IPO, Bausch + Lomb, using the proceeds from the Term Facility of approximately \$2,500 million of principal indebtedness and cash on hand: (i) repaid approximately \$2,200 million of BHC Purchase Debt, (ii) made \$229 million of net distributions to our parent, BHC and affiliates and (iii) paid approximately \$47 million of interest on the BHC Purchased Debt. Prior to the B+L IPO, Bausch + Lomb was a wholly-owned subsidiary of BHC. We did not receive any proceeds from the sale of the common shares in the B+L IPO. The net proceeds from the B+L IPO were received by the Selling Shareholder.

Restructuring, Integration and Separation Costs

The Company evaluates opportunities to improve its operating results and implements cost savings programs to streamline its operations and eliminate redundant processes and expenses. Restructuring and integration costs primarily consist of costs associated with the implementation of cost savings programs to streamline operations and eliminate redundant processes and expenses. The expenses associated with the implementation of these cost savings programs include expenses associated with: (i) reducing headcount, (ii) eliminating real estate costs associated with unused or under-utilized facilities and (iii) implementing contribution margin improvement and other cost reduction initiatives. Although a specific plan does not exist at this time, we may identify and take additional exit and cost-rationalization restructuring actions in the future, the costs of which could be material.

In connection with the Separation, we have incurred and will continue to incur additional costs associated with activities taken to: (i) separate the Bausch + Lomb business from the remainder of BHC and (ii) register the Bausch + Lomb business as an independent publicly traded entity and these costs could be material. During 2022 and until the proposed Separation is completed, if completed, in addition to amounts paid for internal costs incurred in preparing for the separation of Bausch + Lomb from the remainder of BHC, we anticipate making cash payments for third-party costs. These third-party costs include amounts for, but not limited to; legal, consulting, accounting, IT infrastructure and certain other administrative services. The expenses associated with the Separation could be material and may impact our cash flows.

Further, in connection with the Separation, we continue to evaluate opportunities to improve our operating results and may initiate 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 Litigation

In the ordinary course of business, we are involved in litigation, claims, government inquiries, investigations, charges and proceedings. See Note 18, “LEGAL PROCEEDINGS” to our unaudited interim Condensed Consolidated Financial Statements for further details of these matters. Our ability to successfully defend the Company against pending and future litigation may impact cash flows.

Future Licensing Payments

In the ordinary course of business, we may enter into select licensing and collaborative agreements for the commercialization and/or development of unique products. In connection with these agreements, the Company may pay an upfront fee to secure the agreement. See Note 19, “COMMITMENTS AND CONTINGENCIES” to our Combined Financial Statements for the year ended December 31, 2021, which were included in Bausch + Lomb’s final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act relating to Bausch + Lomb’s Registration Statement on Form S-1 and in Bausch + Lomb’s supplemented PREP prospectus as filed with the CSA on May 5, 2022.

OUTSTANDING SHARE DATA

On April 28, 2022, Bausch + Lomb effected a share consolidation as a result of which it had 350,000,000 issued and outstanding common shares. These common shares are treated as issued and outstanding at January 1, 2021 for purposes of calculating Basic and diluted (loss) income per share attributable to Bausch + Lomb Corporation.

The registration statement related to the B+L IPO was declared effective on May 5, 2022, and our common stock began trading on the New York Stock Exchange and the Toronto Stock Exchange, in each case under the ticker symbol “BLCO”, on May 6, 2022. Prior to the effectiveness of the registration statement, we were an indirect wholly-owned subsidiary of BHC. On May 10, 2022, the Selling Shareholder sold 35,000,000 common shares of Bausch + Lomb, at an offering price of \$18.00 per share (less the applicable underwriting discount), pursuant to the Bausch + Lomb prospectuses. In addition, the Selling Shareholder granted the underwriters an option for a period of 30 days from the date of the B+L IPO to purchase up to an additional 5,250,000 common shares to cover over-allotments at the IPO offering price less underwriting commissions. On May 31, 2022, the underwriters of the B+L IPO partially exercised the over-allotment option granted to them by the Selling Shareholder, and, on June 1, 2022, the Selling Shareholder sold an additional 4,550,357 common shares of Bausch + Lomb, at an offering price of \$18.00 per share (less the applicable underwriting discount). The remainder of the over-allotment option granted to the underwriters expired. Upon the closing of the B+L IPO (after giving effect to the partial exercise of the over-allotment option), BHC directly or indirectly holds 310,449,643 Bausch + Lomb common shares, which represents approximately 88.7% of our common shares.

At October 28, 2022, we had 350,000,749 issued and outstanding common shares. In addition, as of October 28, 2022, we had outstanding approximately 6,300,000 stock options and 4,100,000 restricted share units that each represent the right of a holder to receive one of Bausch + Lomb’s common shares.

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 Condensed 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 Note 2 to the Combined Financial Statements for the year ended December 31, 2021 included in Bausch + Lomb’s final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act relating to Bausch + Lomb Registration Statement on Form S-1 and in Bausch + Lomb’s supplemented PREP prospectus as filed with the CSA on May 5, 2022, and determined that there were no significant changes in our critical accounting policies and estimates during the nine months ended September 30, 2022, except for: 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 Condensed 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 results of current and anticipated products; anticipated revenues for our products; expected R&D and marketing spend; our expected primary cash and working capital requirements for 2022 and beyond; our 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 comply with the covenants contained in our Credit Agreement and, during the period in which we remain a restricted subsidiary thereunder, the BHC Credit Agreement and the BHC Indentures forward-looking statements; any 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 and economic uncertainty; our expectations regarding our financial performance, including our future financial and operating performance, 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 and, its supply chain, third-party suppliers, project development timelines, costs, revenues, margins, liquidity and financial condition and the anticipated timing, speed and magnitude of recovery from these COVID-19 pandemic related impacts; the anticipated impact from the ongoing conflict between Russia and Ukraine; and the anticipated separation from BHC, including the structure and expected timetable for 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. Although we have previously indicated certain of these statements set out herein, 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 emergence of variants and sub-variants of COVID-19 (including, but not limited to, the resurgence of COVID-19 cases in China and other countries) and any resulting reinstatement or strengthening of lockdowns or other restrictions, the availability and effectiveness of vaccines for COVID-19 (including with respect to current or future variants and sub-variants), COVID-19 vaccine immunization rates, 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 us, including but not limited to our supply chain, third-party suppliers, project development timelines, employee base, liquidity, stock price, financial condition and 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 its recent initial public offering (the “B+L IPO”), including the challenges and difficulties associated with managing an independent, complex business, the transitional services being provided by and to BHC, any potential, actual or perceived conflict of interest of some of our directors and officers because of their equity ownership in BHC and/or because they also serve as directors of BHC;

- our status as a controlled company, and the possibility that BHC’s interest may conflict with our interests and the interests of our other shareholders;
- the impact on our business of remaining a restricted subsidiary for a period of time following the B+L IPO under the BHC Credit Agreement and the BHC Indentures, which may adversely affect our operations;
- the risks and uncertainties associated with the proposed plan to separate or spinoff Bausch + Lomb from BHC, which include, but are not limited to, the expected benefits and costs of the spinoff transaction, the expected timing of completion of the spinoff transaction and its terms (including the expectation that the spinoff transaction will be completed following the expiry of customary lock-ups related to the B+L IPO (which have now expired) and achievement of targeted debt leverage ratios, subject to market conditions and receipt of applicable shareholder and other necessary approvals), the ability to complete the spinoff transaction considering the various conditions to the completion of the spinoff transaction (some of which are outside the Company’s and BHC’s control, including conditions related to regulatory matters and receipt of applicable shareholder approvals), the impact of any potential sales of our common shares by BHC subject to expiring of customary lock-ups (which have now expired), that market or other conditions are no longer favorable to completing the transaction, that applicable shareholder, stock exchange, regulatory or other approval is not obtained on the terms or timelines anticipated or at all, business disruption during the pendency of, or following, the spinoff transaction, diversion of management time on spinoff transaction-related issues, retention of existing management team members, the reaction of customers and other parties to the spinoff transaction, the qualification of the spinoff 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 BHC to satisfy the conditions required to maintain the tax-free status of the spinoff transaction (some of which are beyond their control), other potential tax or other liabilities that may arise as a result of the spinoff transaction, the potential dis-synergy costs resulting from the spinoff transaction, the impact of the spinoff transaction 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 transaction will occur at all, or that any such transaction will occur on the timelines anticipated by the Company and BHC;
- ongoing litigation and potential additional litigation, claims, challenges and/or regulatory investigations challenging or otherwise relating to the B+L IPO and the proposed separation from BHC and the costs, expenses, use of resources, diversion of management time and efforts, liability and damages that may result therefrom;
- adverse economic conditions, including inflation, slower growth or a potential recession, which could adversely impact our revenues, expenses and resulting margins;
- pricing decisions that we have implemented or may in the future elect to implement at the direction of our recently established Pricing Committee or otherwise;
- 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 and other products, 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 United States 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 ability to comply with the financial and other covenants contained in our Credit Agreement and other current or future debt agreements and, during the period in which we are a restricted subsidiary thereunder, those covenants contained in the BHC Credit Agreement and the BHC Indentures, including the limitations, restrictions and prohibitions such covenants may impose on the way we conduct our business including prohibitions on incurring additional debt if certain financial covenants are not met, our ability to draw under the revolving credit facility under our Credit Agreement and restrictions on our ability to make certain investments and other restricted payments;
- any downgrade or additional downgrade by rating agencies in our or BHC’s credit ratings, which may impact, among other things, our ability to raise debt and the cost of capital for additional debt issuances;

- 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 executives and other key employees, including our ability to find a new Chief Executive Officer;
- our ability to implement effective succession planning for our executives and key employees;
- 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 the pricing of such products, effectiveness of promotional efforts, reputation of our products and launch of competing products;
- 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;
- 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; and the impact of obtaining or maintaining such reimbursement on the price and sales of our products;
- 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 health care professionals;
- our eligibility for benefits under tax treaties and the continued 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 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 us;
- 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 and credit markets and foreign currency exchange uncertainty and volatility in certain of the countries in which we do business;
- the impact of the United States-Mexico-Canada Agreement (“USMCA”) and any potential changes to other trade agreements;
- the trade conflict between the United States 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 United States, Canada and other countries against governmental and other entities and individuals in or associated with Russia, Belarus and parts of Ukraine;
- our ability to obtain, maintain and license sufficient intellectual property rights over our products and enforce and defend against challenges to such intellectual property;
- the ability of BHC to enforce and defend against challenges to its intellectual property in connection with the filing by Norwich Pharmaceuticals Inc. ("Norwich") of its Abbreviated New Drug Application ("ANDA") for Xifaxan[®] (rifaxamin) 550 mg tablets and BHC's related lawsuit filed against Norwich in connection therewith (including BHC's ability to successfully appeal the decision of the U.S. District Court for the District of Delaware in such lawsuit (such decision, the "Norwich Legal Decision")) and the impact of such matters on, among other things, our planned separation or spinoff transaction and the timing thereof;
- 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;
- 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 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;
- potential work stoppages, slowdowns or other labor problems at our facilities and the resulting impact on our manufacturing, distribution and other operations;
- economic factors over which we have no control, including inflationary pressures as a result of historically high domestic and global inflation and otherwise, 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;
- 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, the European Medicines Agency ("EMA") and similar agencies in other jurisdictions, 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 us or our third-party partners and service providers (over whom we may have limited influence), or the failure by us 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 (the “Health Care Reform Act”) and any 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 us and our businesses and products or the enactment of any new or proposed legislation, laws, rules, regulations or guidance that will impact or apply to us or our businesses or products;
- the impact of changes in federal laws and policy that may be undertaken under the Biden administration;
- illegal distribution or sale of counterfeit versions of our products;
- interruptions, breakdowns or breaches in our information technology systems; and
- the risks under the section entitled “Risk Factors” in our final prospectus as filed with the U.S. Securities and Exchange Commission (“SEC”) on May 5, 2022 pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended (the “Act”) relating to our Registration Statement on Form S-1, and our supplemented PREP prospectus as filed with the CSA (as defined below) on May 5, 2022 and risks detailed from time to time in our other filings with the 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 Bausch + Lomb’s final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act relating to our Registration Statement on Form S-1 and in Bausch + Lomb’s supplemented PREP prospectus as filed with the CSA on May 5, 2022, under the section entitled “Risk Factors” and in the Company’s other filings with the SEC and 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Other than as indicated below under “— Interest Rate Risk” and “— Inflation Risk”, there have been no material changes to the risk factors as disclosed in the section entitled “Quantitative and Qualitative Disclosures About Market Risk” included in Bausch + Lomb’s final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act relating to Bausch + Lomb’s Registration Statement on Form S-1 and in Bausch + Lomb’s supplemented PREP prospectus as filed with the CSA on May 5, 2022.

Interest Rate Risk

As of September 30, 2022, we had \$2,494 million principal amount of issued variable rate debt. We are subject to interest rate risk on our variable rate debt as changes in interest rates could adversely affect earnings and cash flows. A 100 basis-points increase or decrease in interest rates would have an annualized pre-tax effect of approximately \$25 million in our Consolidated Statements of Operations and Cash Flows, based on current outstanding borrowings and effective interest rates on our variable rate debt. While our variable-rate debt may impact earnings and cash flows as a result of changes in effective interest rates, it is not subject to changes in fair value.

Inflation Risk

We are subject to price control restrictions on our prescription ophthalmology products in a number of countries in which we operate. As a result, our ability to raise prices in a timely fashion in anticipation of inflation may be limited in some markets.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2022. Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of September 30, 2022.

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act or under other applicable U.S. or Canadian securities laws or stock exchange rules is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company’s internal controls over financial reporting that occurred during the three months ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in legal proceedings from time to time in the ordinary course of our business. Based on information currently available and established reserves, we have no reason to believe that the ultimate resolution of any known legal proceeding will have a material adverse effect on our financial position, liquidity or results of operations. However, there can be no assurance that the outcome of any such legal proceeding will be favorable, and adverse results in certain of these legal proceedings could have a material adverse effect on our financial position, results of operations in any one reporting period, or liquidity.

For additional information, see Note 18, “LEGAL PROCEEDINGS” of notes to the unaudited interim Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

There have been no material changes to the risk factors as disclosed in the section entitled “Risk Factors” included in Bausch + Lomb’s final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act relating to Bausch + Lomb’s Registration Statement on Form S-1 and in Bausch + Lomb’s supplemented PREP prospectus as filed with the CSA on May 5, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sale of Unregistered Securities

During the nine months ended September 30, 2022, we issued shares to BHC in connection with the Separation and to facilitate the B+L IPO pursuant to the exemption from registration in Section 4(a)(2) of the Act because the offer and issuance of the shares did not involve a public offering. There were no other unregistered sales of equity securities by the Company during the nine months ended September 30, 2022.

Use of Proceeds

As set forth in the section captioned “Use of Proceeds” in our final prospectus as filed with the SEC on May 5, 2022 pursuant to Rule 424(b)(4) under the Act, relating to the Registration Statement on Form S-1 and in Bausch + Lomb’s supplemented PREP prospectus as filed with the CSA on May 5, 2022, Bausch + Lomb did not receive any proceeds from the sale of common shares in the B+L IPO and upon the partial exercise of the over-allotment option granted to them by the Selling Shareholder, on May 31, 2022.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

The Bausch + Lomb Corporation Matching Share Program

As of November 1, 2022, officers of Bausch + Lomb Corporation (including those designated as Section 16 officers) are eligible to participate in the Bausch + Lomb Corporation Matching Share Program (the “Program”). Under the Program, shares purchased on the open market by recipients are matched with one (1) Matching Restricted Stock Unit (“MRSU”) issued under the Bausch + Lomb Corporation 2022 Omnibus Incentive Plan (the “Plan”). Generally, MRSUs granted may not exceed 50% of the sum of the officer’s annual base salary and target annual cash bonus, less any shares sold within the past six month (excluding any shares sold to cover a tax obligation resulting from a vesting event under the Plan). These limitations remain in effect for a period of three (3) years pursuant to the terms of the Program.

Subject to the provisions of the Plan and applicable award agreements, MRSUs vest ratably over a three-year period, provided that the recipient is employed through the applicable vesting dates. Vesting ceases upon termination of employment (except in limited circumstances), and any MRSUs that do not become vested prior to the recipient’s termination of employment or that do not become vested according to the provisions of the terms of the award are forfeited.

In addition, to the extent following the date of grant of the MRSUs the Company becomes aware that the officer sold common shares in the six (6) month period prior to the date of grant, a number of MRSUs (whether or not vested) equal to the number of common shares sold will be forfeited, with the MRSUs next scheduled to vest being forfeited first.

Item 6. Exhibits

- [10.1*](#) [Separation Agreement dated July 19, 2022 between Bausch + Lomb Corporation and Joseph C. Papa.](#)
- [10.2*](#) [Form of Executive Committee Retention Program Letter Agreement.](#)
- [10.3*](#) [Form of Restricted Share Unit Award Agreement pursuant to the 2022 Omnibus Incentive Plan.](#)
- [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 + Lomb Corporation 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 + Lomb Corporation pursuant to 18 U.S.C. § 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS* Inline XBRL Instance Document
- 101.SCH* Inline XBRL Taxonomy Extension Schema Document
- 101.CAL* Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB* Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE* Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEF* Inline XBRL Taxonomy Extension Definition Linkbase Document
- 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 + Lomb Corporation
(Registrant)

Date: November 2, 2022

/s/ JOSEPH C. PAPA

Joseph C. Papa
Chief Executive Officer
(Principal Executive Officer)

Date: November 2, 2022

/s/ SAM ELDESSOUKY

Sam Eldessouky
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

INDEX TO EXHIBITS

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* Filed herewith.

SEPARATION AGREEMENT

This Separation Agreement (the “Agreement”) is by and between Joseph C. Papa (the “Executive”) and Bausch + Lomb Corporation, a company incorporated under the laws of Canada (the “Company”). The Company and the Executive are sometimes referred to individually herein as a “Party” and collectively as the “Parties.”

WHEREAS, the Executive is currently employed as the Chief Executive Officer (the “CEO”) of the Company and serves as the Chairman of the Board of Directors of the Company (the “Board”) pursuant to the terms of that certain Employment Agreement by and between the Executive and the Company, dated as of April 25, 2016, as amended pursuant to that certain Assignment, Assumption and Amendment Agreement by and among the Executive, Bausch Health Companies, Inc. (“BHC”), and the Company, dated January 3, 2022 (collectively the “Employment Agreement”); and

WHEREAS, the Board intends to conduct a search for a new CEO for the Company and the terms and conditions of this Agreement reflect the Parties agreement regarding the Executive’s continued employment with the Company during the period described herein, supplementing the terms set forth in the Employment Agreement.

NOW, THEREFORE, for the promises and covenants set forth herein and for such other good and valuable consideration, the receipt of which is hereby acknowledged, the Executive and the Company enter into this Agreement on the following terms and conditions:

1. Separation. The Executive shall continue to be employed as the CEO of the Company from the date of this Agreement through the earlier of (i) the date on which a new CEO has commenced employment with the Company, and (ii) such other date that is determined by the Board, unless in either case (x) the CEO is terminated earlier by the Company for Cause (as defined in the Employment Agreement), (y) the CEO resigns earlier for Good Reason under Section 9(e)(2), (3) or (4) of the Employment Agreement, as modified by the terms set forth below in this Section 1, in accordance with the notice and cure provisions set forth in the Employment Agreement (a “Qualifying Good Reason Resignation”), or (z) the CEO’s termination occurs earlier as a result of the CEO’s death (the Executive’s applicable termination date, the “Separation Date”). Effective as of the date of this Agreement, the Executive shall be deemed to automatically resign from the Executive’s position as Chairman of the Board, but shall continue to serve as a member of the Board until the Separation Date. From the date of this Agreement through the Separation Date, the Executive shall continue to perform his duties as the CEO and as a member of the Board and will continue to receive the same compensation and benefits in accordance with the terms of the Employment Agreement. Effective as of the Separation Date, the Executive will resign (and will be deemed to have resigned without any further action by the Executive) from his position as the CEO and as a member of the Board, and from all of the Executive’s positions with the Company and its affiliates (and as a fiduciary of any benefit plan of the Company and its affiliates) other than, to the extent applicable, in respect of any consulting services provided pursuant to the terms of Section 11 below. The Executive shall execute such additional documents as reasonably requested by the Company to evidence the foregoing resignations. For the avoidance of doubt, notwithstanding the terms of the Employment Agreement, the Executive acknowledges and agrees that, in exchange for the consideration provided in this Agreement and for other good and valuable consideration, the Executive shall not be permitted to claim “Good Reason” under the Employment Agreement, the Equity Documents or any other agreement, plan, policy or arrangement by and

between the Executive and the Company or any of its affiliates for any of the changes contemplated by the terms of this Agreement (including the changes to the Executive's duties and responsibilities and resignation as Chairman of the Board) (collectively, the "Permissible Actions"); provided, that, for the avoidance of doubt, the foregoing shall not be considered a waiver of any of the Executive's rights to raise a claim of Good Reason under Section 9(e)(2), (3) or (4) of the Employment Agreement to the extent arising out of any action that first occurs after the date hereof and is not a Permissible Action. The Executive acknowledges and agrees this Agreement satisfies the Company's thirty (30)-day Notice of Termination requirement set forth in Section 7(d) of the Employment Agreement.

2. Severance Benefits; Treatment of Equity Awards.

(a) Severance Benefits. Provided that (i) the Executive is not terminated by the Company for Cause and does not resign for any reason prior to the Separation Date (other than a Qualifying Good Reason Resignation), (ii) the Effective Date and Second Release Effective Date (each as defined in Sections 15 and 16 below, respectively) occurs and (iii) the Executive complies with the terms of this Agreement, the Employment Agreement and the Continuing Obligations (each of (i), (ii) and (iii), collectively, the "Severance Conditions"), following the Separation Date, the Executive (or the Executive's estate, if applicable) will receive the following severance payments and benefits pursuant to the terms of Section 9(c) of the Employment Agreement (the "Severance Benefits"), payable in accordance with the terms and conditions set forth in the Employment Agreement:

(i) Any Accrued Compensation (as defined in the Employment Agreement);

(ii) Earned but unpaid bonus in respect of any fiscal year preceding the termination date;

(iii) Annual bonus in respect of the fiscal year in which the Separation Date occurs in an amount equal to the product of (A) the annual bonus that the Executive would have been entitled to receive based on actual achievement against the stated performance objectives through the Separation Date and (B) a fraction (x) the numerator of which is the number of days in such fiscal year through the Separation Date and (y) the denominator of which is 365;

(iv) As severance pay, in lieu of any further compensation for the periods subsequent to the Separation Date, a lump sum cash payment equal to two times the sum of the Executive's Base Salary and Target Bonus, in each case, as in effect immediately prior to the Separation Date and without regard to any reduction thereto which constitutes Good Reason, provided, that such payment will be made within thirty (30) days following termination; and

(v) Continued coverage through the two (2)-year anniversary of the Separation Date under any health, medical, dental or vision program or policy in which the Executive (and his dependents, as applicable) participated in as of the time of his Separation Date on terms no less favorable to the Executive and his dependents than those applicable to actively employed senior executives of the Company; provided, however, that the Executive shall be solely responsible for any taxes incurred in respect of such coverage; provided, further, that the Company may modify the continuation coverage contemplated by this Section 2(a)(v) to the extent reasonably necessary to avoid the imposition of any excise taxes on the Company for failure to comply with the nondiscrimination requirements of the Patient Protection and Affordable Care Act of 2010, as amended, and/or the Health Care and

Education Reconciliation Act of 2010, as amended (to the extent applicable); provided, further, that the Company or the Executive may elect to provide or receive, as applicable, a lump-sum cash payment equal to the value of the continuation coverage provided herein in lieu of such continuation coverage.

(b) Treatment of Equity Awards. The Executive currently holds outstanding stock options (“Options”), restricted stock units (“RSUs”) and performance stock units (“PSUs”) (collectively, the “Equity Awards”) that were previously granted pursuant to the BHC 2014 Omnibus Incentive Plan (as may be amended from time to time), the Company’s 2022 Omnibus Incentive Plan (as may be amended from time to time) and the applicable award agreements in respect of the Equity Awards issued thereunder (collectively, the “Equity Documents”). For the avoidance of doubt, the outstanding Equity Awards will remain eligible to continue to vest in accordance with their terms through the Separation Date. Upon the Separation Date, provided that the Executive satisfies all of the Severance Conditions, the outstanding Equity Awards will receive the retirement termination treatment or, for the B+L Separation Program PSUs identified on Exhibit A, the termination without cause treatment, in each case, in accordance with the terms of the applicable Equity Documents and settled in accordance with the terms thereunder. Notwithstanding the foregoing and the terms of the applicable Equity Documents, the Bausch + Lomb Founder Grants issued in the form of RSUs to the Executive on May 5, 2022 (the “Founder RSUs”) and the Bausch + Lomb Founder Grants issued in the form of Options to the Executive on May 5, 2022 (the “Founder Options”, together with the Founder RSUs, collectively, the “Founder Grants”) will be subject to the following treatment: (A) the Founder RSUs will become vested upon the later of the Separation Date and, if applicable, the Consulting Separation Date (as defined in Section 11 below), but the shares received upon settlement will be fully restricted shares and will be nontransferrable until the earliest to occur of (i) the Distribution Date, (ii) the date of a Change in Control, (iii) the date the Board determines that the Company will no longer pursue the Distribution (each as defined in that certain Master Separation Agreement by and between the Company and BHC, dated March 30, 2022), and (iv) the two (2)-year anniversary of the later of the Separation Date and, if applicable, the Consulting Separation Date (such applicable date determined pursuant to clauses (i)-(iv), the “Unrestricted Date”); and (B) the Founder Options will vest and become exercisable upon the Unrestricted Date and remain exercisable until the two (2)-year anniversary of the Unrestricted Date (or, if earlier, the applicable Founder Options’ expiration date); provided, that, in each case, notwithstanding the foregoing, the number of Founder RSUs that will vest and Founder Options that will remain eligible to vest (if any) in accordance with the foregoing will be multiplied by a fraction, (x) the numerator of which is the number of days from May 5, 2022 through the later of the Separation Date and, if applicable, the Consulting Separation Date, and (y) the denominator of which is 1,095. The Parties hereby agree that Exhibit A attached hereto sets forth an illustrative example of the total number of Equity Awards that would be vested and forfeited upon the Separation Date, except in respect of the Founder RSUs, which would vest upon the later of the Separation Date and, if applicable, the Consulting Separation Date, with the shares received upon settlement remaining fully restricted and non-transferrable until the Unrestricted Date, and in respect of the Founder Options, remain eligible to vest upon the Unrestricted Date, in each case, in accordance with the foregoing terms, based on certain assumptions specified therein, including the assumption that the Executive satisfies all of the Severance Conditions.

(c) No Other Compensation. The Executive acknowledges and agrees that the consideration provided in this Section 2 is in full discharge of any and all liabilities and obligations of the Company and its affiliates to the Executive, monetarily or with respect to the Executive’s employment or

service, compensation, bonus, equity or equity-based compensation, employee benefits, payment for any accrued vacation, severance payments or other payments or benefits of any kind, or otherwise, including, without limitation, any and all obligations arising under the Employment Agreement, any alleged written or oral employment agreement, policy, plan or procedure of the Company and its affiliates and/or any alleged understanding or arrangement between the Executive and the Company.

3. Release. In exchange for the consideration provided to the Executive pursuant to this Agreement and for other good and valuable consideration, the Executive, for himself, his successors and assigns, executors and administrators, now and forever hereby releases and discharges the Company, together with all of its past and present parents, subsidiaries, and affiliates, together with each of their officers, directors, shareholders, partners, employees, agents, representatives and attorneys, and each of their subsidiaries, affiliates, estates, predecessors, successors, and assigns (hereinafter collectively referred to as the "Releasees") from any and all rights, claims, charges, actions, causes of action, complaints, sums of money, suits, debts, covenants, contracts, agreements, promises, obligations, damages, demands or liabilities of every kind whatsoever, in law or in equity, whether known or unknown, suspected or unsuspected, which the Executive or the Executive's executors, administrators, successors or assigns ever had, now has or may hereafter claim to have by reason of any matter, cause or thing whatsoever; arising from the beginning of time up to the date of the Effective Date and the Release Effective Date, as applicable (collectively, the "Claims"), including those (i) relating in any way to the Executive's employment relationship with the Company or any of the Releasees, or the termination of the Executive's employment relationship with the Company or any of the Releasees; (ii) arising under or relating to the Employment Agreement; (iii) arising under any federal, local or state statute or regulation, including, without limitation, the Age Discrimination in Employment Act of 1967, as amended by the Older Workers Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Employee Retirement Income Security Act of 1974, and/or the New Jersey Law against Discrimination, each as amended; (iv) relating to wrongful employment termination or breach of contract; or (v) arising under or relating to any policy, agreement, plan, understanding or promise, written or oral, formal or informal, between the Company and any of the Releasees and the Executive; provided, however, that notwithstanding the foregoing, nothing contained in this Section 3 shall in any way diminish or impair: (a) any rights the Executive may have, from and after the date this Agreement is executed or re-executed, as applicable, under Section 9(c) of the Employment Agreement with respect to a termination by the Company without Cause (as defined therein), (b) any rights to indemnification that may exist from time to time under the Company's certificate of incorporation or articles, or pursuant to the Employment Agreement; (c) any rights the Executive may have to vested benefits under employee benefit plans or incentive compensation plans of the Company; or (d) any rights or claims the Executive may have that cannot be waived under applicable law (collectively, the "Excluded Claims"). Upon re-execution of this Agreement, the Executive further acknowledges and agrees that, except with respect to Excluded Claims, the Company and the Releasees have fully satisfied any and all obligations whatsoever owed to the Executive arising out of the Executive's employment with the Company or any of the Releasees, and that no further payments or benefits are owed to Executive by the Company or any of the Releasees. The Executive understands and agrees that, except for the Excluded Claims, the Executive has knowingly relinquished, waived and forever released any and all rights to any personal recovery in any action or proceeding that may be commenced on the Executive's behalf arising out of the aforesaid employment relationship or the termination thereof, including, without limitation, claims for backpay, front pay, liquidated damages, compensatory damages, general damages, special damages, punitive damages, exemplary damages, costs, expenses and attorneys' fees. Nothing in this Agreement is intended to prohibit

or restrict the Executive's right to file a charge with, or participate in a charge by, the Equal Employment Opportunity Commission ("EEOC") or other similar governmental agency or cooperating with any such agency; provided, however, that, to the extent permitted by applicable law, the Executive hereby waives the right to recover any monetary damages or other relief against any Releasees as a result of such EEOC or other governmental agency proceeding or subsequent legal actions excepting any benefit or remedy to which the Executive is or becomes entitled pursuant to Section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

4. No Further Claims; Acknowledgement. The Executive hereby agrees not to bring or cause to be brought any Claims and the Executive represents and agrees that the Executive has not, directly or indirectly, instituted, prosecuted, filed or processed any litigation, Claims or proceedings against the Company or any of the Releasees, nor has the Executive encouraged or assisted anyone to institute, prosecute, file or process any litigation, Claims or proceedings against the Company or any of the Releasees. The Executive represents that the Executive has not made assignment or transfer of any right or Claim covered by this Agreement and is not aware of any such right or Claim. The Executive understands that the Executive may later discover claims or facts that may be different than, or in addition to, those which the Executive now knows or believes to exist with regards to the subject matter of this Agreement, and which, if known at the time of executing this Agreement, may have materially affected this Agreement or the Executive's decision to enter into it. The Executive hereby waives any right or claim that might arise as a result of such different or additional claims or facts. Following the Separation Date or, if applicable, the Consulting Separation Date, the Executive agrees never to seek reemployment or future employment with the Company or any of the other Releasees.

5. Continuing Obligations. The Executive hereby (a) reaffirms Executive's obligations under (and acknowledges that the Executive will continue to be bound by the terms of) the Employment Agreement (including the restrictive covenants set forth in Sections 11 and 12 thereof), the written policies and code of conduct of the Company and its affiliates (including the Standards of Business Conduct and the Company's insider trading and recoupment policies) as may be in effect from time to time, and any other restrictive covenant (including, without limitation, any confidentiality, intellectual property, non-competition, non-solicitation, non-disparagement) that the Executive is subject to with the Company or any of its subsidiaries or affiliates (collectively, the "Continuing Obligations"), the terms of each of which are fully incorporated herein by reference, and (b) understands, acknowledges and agrees that such Continuing Obligations shall survive the Separation Date and remain in full force and effect in accordance with all of the terms and conditions thereof.

6. Non-Disparagement. Subject to Section 8 below, the Executive agrees not to make written or oral statements about the Company, any of its subsidiaries or affiliates, or their respective employees, directors, or executive officers that are negative of disparaging. Notwithstanding the foregoing, nothing contained in this Section 6 shall preclude the Executive from making truthful statements that are required by applicable law, regulation or governmental investigation or are pursuant to legal process.

7. Cooperation. The Executive agrees that, during employment and following the Separation Date, upon the Company's request, the Executive will assist and cooperate with the Company and any of its affiliates in connection with the defense or prosecution of any claim that may be made against or by the Company or any of the Releasees arising out of events occurring during the Executive's employment, or in connection with any ongoing or future investigation or dispute or claim of any kind involving the Company or any of the Releasees, including any proceeding before any arbitral, administrative, regulatory, self-regulatory, judicial, legislative or other body or agency. Such cooperation will take place at mutually

convenient times and locations. The Executive will be reimbursed, upon presentation of appropriate supporting documentation or receipts, for the reasonable and necessary out-of-pocket expenses incurred by the Executive to satisfy the Executive's cooperation obligations set forth under this Section 7, in accordance with the Company's reimbursement policies in effect from time to time.

8. Whistleblower Protection. Notwithstanding anything to the contrary contained herein, no provision of this Agreement will be interpreted so as to impede the Executive (or any other individual) from (a) making any disclosure of relevant and necessary information or documents in any action, investigation or proceeding relating to this Agreement, or as required by applicable law or legal process, including with respect to possible violations of applicable law, (b) participating, cooperating or testifying in any action, investigation or proceeding with, or providing information to, any governmental agency, legislative body or any self-regulatory organization, including, but not limited to, the Department of Justice, the U.S. Securities and Exchange Commission ("SEC"), the United States Congress and any agency Inspector General, (c) accepting any SEC awards, or (d) making other disclosures under the whistleblower provisions of applicable federal law or regulation. In addition, nothing in this Agreement or any other agreement or Company policy prohibits or restricts the Executive from initiating communications with, or responding to any inquiry from, any administrative, governmental, regulatory or supervisory authority regarding any good faith concerns about possible violations of applicable law or regulation. The Executive does not need the prior authorization of the Company to make any such reports or disclosures, and the Executive will not be not required to notify the Company that such reports or disclosures have been made.

9. Trade Secrets. 18 U.S.C. § 1833(b) provides: "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (x) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Accordingly, the Parties have the right to disclose in confidence trade secrets to federal, state and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of applicable law. The Parties also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b).

10. Publicity. The Executive shall not issue, without prior written consent of the Company, any press release or make any public announcement or statement with respect to the terms of this Agreement.

11. Consulting Services. If the Separation Date occurs prior to November 5, 2022, provided that the Executive satisfies all of the Severance Conditions, the Executive shall serve as a non-employee consultant to the Company providing such services as the Company may reasonably request during the period commencing on the Separation Date and continuing until November 5, 2022 (the "Consulting Term" and the November 5, 2022 automatic termination date, the "Consulting Separation Date"). During the Consulting Term, the Executive shall not receive any compensation or benefits other than the pro-rata vesting calculation credit described in Section 2(b) above for the Founder Grants (but for no other Equity Awards). Upon the Consulting Separation Date, the Executive acknowledges that the Executive shall not be entitled to any other compensation, severance benefits or other benefits. During the Consulting Term, (a) the

Executive shall not have an employer-employee relationship, and this Agreement shall not be construed to create any association, partnership, joint venture, employee or agency relationship, with Company or any of its affiliates; (b) the Executive's relationship to the Company shall only be that of an independent contractor; (c) the Executive shall not have any right or authority to assume or create any obligation or responsibility, express or implied, on behalf of, or in the name of, the Company or any of its affiliates, or to bind them in any manner; and (e) the Executive shall not be entitled to, and shall make no claim to, any rights or fringe benefits afforded to employees of the Company, including, without limitation, health insurance, disability or unemployment insurance, workers' compensation insurance, pension and retirement benefits, profit-sharing, or rights under any other benefit plan or program applicable to the employees of the Company or any of its affiliates. For the avoidance of doubt, it is the expectation of the Parties that any consulting services the Executive provides during the Consulting Term, if applicable, will fall below twenty percent of the level of services that the Executive provided prior to the Separation Date.

12. Miscellaneous. Section 10 (Section 409A); Section 15(a) (Successors and Assigns); Section 15(c) (Notice); Section 15(e) (Withholding); Section 15(g) (Modification); Section 15(h) (Arbitration); Section 15(j) (Governing Law); and Section 15(l) (Severability) of the Employment Agreement are fully incorporated herein by reference.

13. Code Section 409A. In no event whatsoever will the Company be liable for any additional tax, interest or penalty that may be imposed on the Executive by Section 409A of the Code (as defined in the Employment Agreement) and the regulations and guidance promulgated thereunder (collectively "Code Section 409A"), or for damages for failing to comply with Code Section 409A. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amount or benefit that constitutes "nonqualified deferred compensation" upon or following a termination of employment, unless such termination is also a "separation from service" within the meaning of Code Section 409A, and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment or benefit under this Agreement that constitutes "nonqualified deferred compensation" for purposes of Code Section 409A be subject to offset by any other amount unless otherwise permitted by Code Section 409A. Any amounts payable under this Agreement that are contingent on the execution or re-execution, as applicable, and non-revocation of this Agreement and involves a consideration time period that begins in one calendar year and ends in the next calendar year, will be paid as soon as practicable in the second calendar year even if the Executive executed or re-executed, as applicable, this Agreement and such release becomes irrevocable in the first calendar year.

14. Executive Acknowledgements. The Executive acknowledges that the Executive: (a) has carefully read this Agreement in its entirety; (b) has had an opportunity to consider this Agreement for twenty-one (21) days; (c) fully understands the significance of all of the terms and conditions of this Agreement; (d) has been advised to consult with an attorney before executing or re-executing, as applicable, this Agreement and the Executive has done so or, after careful reading and consideration, has chosen not to do so of the Executive's own volition; and (e) is executing or re-executing, as applicable, this Agreement knowingly, freely and voluntarily in exchange for good and valuable consideration to which the Executive would not be entitled in the absence of executing or re-executing, as applicable, and not revoking this Agreement.

15. Initial Consideration and Revocation Period; Effective Date. The Executive understands that the Executive will have twenty-one (21) days from the date of receipt of this Agreement to consider the terms and conditions of this Agreement. The Executive understands that the Executive may execute this Agreement less than twenty-one (21) days from its receipt from the Company, and agrees that such execution will represent the Executive's knowing waiver of such consideration period. The Executive may accept this Agreement by signing it and returning it to the Company's General Counsel, within such twenty-one (21) day period. After executing this Agreement, the Executive shall have seven (7) days (the "Revocation Period") to revoke this Agreement by indicating the Executive's desire to do so in writing delivered to the Company's General Counsel by no later than the seventh (7th) day after the date that the Executive signs this Agreement. The effective date of this Agreement shall be the eighth (8th) day after the Executive signs this Agreement (the "Effective Date"). In the event that the Executive does not accept this Agreement as set forth above, or in the event that the Executive revokes this Agreement during the Revocation Period, this Agreement shall be deemed automatically null and void in its entirety.

16. Re-Execution of this Agreement; Second Release Effective Date. The Company's obligations under Section 2 of this Agreement are strictly contingent upon the Executive's re-execution and non revocation of this Agreement within twenty-one (21) days following the Separation Date. The date of the Executive's re-execution of this Agreement is referred to herein as the "Re-Execution Date". By re-executing this Agreement, the Executive advances to the Re-Execution Date the Executive's general waiver and release of all Claims against the Releasees and the other covenants set forth in this Agreement (including in Section 2(c), Sections 5 through 7, Section 10 and Section 14). The Executive shall have seven (7) calendar days from the Re-Execution Date to revoke his re-execution of this Agreement by indicating the Executive's desire to do so in writing delivered to the Company's General Counsel by no later than the seventh (7th) day after the Re-Execution Date. In the event of no revocation by the Executive, the date of the releases (including in Section 3) and covenants set forth in set forth in this Agreement shall be advanced through the Re-Execution Date on the eighth (8th) day after the Re-Execution Date (the "Second Release Effective Date"). In the event of such revocation by the Executive, the date of the releases and covenants set forth in this Agreement shall not be advanced, but shall remain effective up to and including the date upon which Executive originally signs this Agreement and the Company shall not be obligated to provide the consideration in Section 2 of this Agreement. To the extent the Executive's termination occurs due to the Executive's death, the Executive's estate will be required to comply with the terms of this Section 16 in order for the estate to remain eligible to receive the consideration in Section 2 of this Agreement.

17. Entire Agreement; No Admission of Liability; Interpretation. The Executive understands that this Agreement (including Exhibit A attached hereto), the Employment Agreement (as supplemented and modified by the terms of this Agreement) and the Equity Documents (as modified by the terms of this Agreement) constitute the complete understanding between the Company and the Executive, and, except as specifically provided herein, supersede any and all agreements, understandings, and discussions, whether written or oral, between the Executive and any of the Releasees. No other promises or agreements shall be binding unless in writing and signed by both the Company and the Executive. This Agreement is not intended, and shall not be construed, as an admission of liability whatsoever on the part of the Company or any of the Releasees or that the Company any of the Releasees has violated any federal, state or local law (statutory or decisional), ordinance or regulation, breached any contract or committed any wrong whatsoever against the Executive. Should any provision of this Agreement require interpretation or construction, it is agreed by the parties that the entity interpreting or constructing this Agreement shall not apply a presumption

against one party by reason of the rule of construction that a document is to be construed more strictly against the party who prepared the document. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

18. D&O Coverage; Legal Fees. For the avoidance of doubt, the Parties acknowledge that the Executive will remain eligible for any director and officer coverage that the Executive may be entitled in connection the Executive’s employment with the Company prior to the Separation Date. The Company will reimburse the Executive in an amount up to \$20,000 for the legal fees incurred by the Executive in connection with the negotiation of this Agreement, provided that the Executive provides the Company with appropriate supporting documentation.

19. Third Party Beneficiaries. The Releasees are intended third-party beneficiaries of this Agreement, and this Agreement may be enforced by each of them in accordance with the terms hereof in respect of the rights granted to such Releasees hereunder. Except and to the extent set forth in the preceding sentence and as otherwise set forth in this Agreement, this Agreement is not intended for the benefit of any person other than the parties hereto, and no such other person or entity shall be deemed to be a third party-beneficiary hereof.

20. Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each Party and delivered to the other Party. In the event that any signature is delivered by facsimile transmission or by an e-mail which contains a portable document format (.pdf) file of an executed signature page, such signature page shall create a valid and binding obligation of the Party executing (or on whose behalf such signature is executed) with the same force and effect as if such signature page were an original thereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date set forth below.

BAUSCH + LOMB CORPORATION

By: /s/ Kelly Webber

Name: Kelly Webber

Title: EVP & Chief Human Resources Officer

Dated: July 19, 2022

EXECUTIVE

/s/ Joseph C. Papa

Joseph C. Papa

Dated: July 19, 2022

RE-EXECUTED

**NOT TO BE SIGNED
PRIOR TO THE SEPARATION DATE**

Dated: _____

EXHIBIT A

As noted in the Agreement, the Parties hereby agree that the amounts and assumed treatment reflected in this Exhibit A sets forth the total number of Equity Awards that would be vested and forfeited upon the Separation Date, except for purposes of the Founder RSUs, which would vest upon the later of the Separation Date and, if applicable, the Consulting Separation Date, with the shares received upon settlement remaining fully restricted and nontransferable until the Unrestricted Date, and for purposes of the Founder Options, remain eligible to vest upon the Unrestricted Date, in each case, assuming, for illustrative purposes only, a Separation Date of September 15, 2022 and a Consulting Separation Date (which would occur on November 5, 2022), and that the Executive satisfies all of the Severance Conditions. This Exhibit A remains subject in all respect to the terms and conditions of the Agreement to which this Exhibit A is appended. For the avoidance of doubt, the total number of Equity Awards that will actually become vested and forfeited or remain eligible to vest will be calculated based on the actual Separation Date, and for purposes of the Founder Grants, Consulting Separation Date, as applicable.

Grant Date	Equity Award	Granted (#)	Vested / Unexercised as of 7/13/2022 (#)	Unvested as of 7/13/2022 (#)	Amount to be Accelerated and Vested Upon Separation Date (#)	Amount to Vest and Remain Fully Restricted or to Remain Eligible to Vest Following Separation Date (#)	Amount to be Forfeited Upon Separation Date (#)
2/26/2020	RSUs	81,040	54,026	27,014	27,014	-	0
3/3/2021	RSUs	74,150	24,716	49,434	49,434	-	0
2/26/2020	PSUs	116,697	0	116,697	105,293	-	11,404
3/3/2021	PSUs	119,011	0	119,011	67,664	-	51,347
3/3/201	PSUs	64,511	0	64,511	36,678	-	27,833
3/3/2021	B+L Separation PSUs	131,823	65,911	65,912	65,912	-	0
6/9/2016	Options	682,652	682,652	0	0	-	0
3/7/2018	Options	338,058	338,058	0	0	-	0
2/27/2019	Options	236,183	236,183	0	0	-	0
2/26/2020	Options	341,114	227,409	113,705	113,705	-	0
3/3/2021	Options	196,464	65,488	130,976	130,976	-	0
5/5/2022	B+L Founder RSUs	472,222	0	472,222	0	79,278	392,944
5/5/2022	B+L Founder Options	1,868,131	0	1,868,131	0	313,627	1,554,504

EXHIBIT A (Continued)

As noted in the Agreement, the Parties hereby agree that the amounts and assumed treatment reflected in this Exhibit A sets forth the total number of Equity Awards that would be vested and forfeited upon the Separation Date, except for purposes of the Founder RSUs, which would vest upon the later of the Separation Date and, if applicable, the the Consulting Separation Date, with the shares received upon settlement remaining fully restricted and nontransferable until the Unrestricted Date, and for purposes of the Founder Options, remain eligible to vest upon the Unrestricted Date, in each case, assuming, for illustrative purposes only, a Separation Date of September 15, 2022 and a Consulting Separation Date (which would occur on November 5, 2022), and that the Executive satisfies all of the Severance Conditions. This Exhibit A remains subject in all respect to the terms and conditions of the Agreement to which this Exhibit A is appended. For the avoidance of doubt, the total number of Equity Awards that will actually become vested and forfeited or remain eligible to vest will be calculated based on the actual Separation Date, and for purposes of the Founder Grants, Consulting Separation Date, as applicable.

Grant Date	Equity Award	Assumed Treatment
2/26/2020	RSUs	Full vesting upon termination; settlement in accordance with terms and subject to 409A
3/3/2021	RSUs	Full vesting upon termination; settlement in accordance with terms and subject to 409A
2/26/2020	PSUs	Pro-rated PSUs shown at actual; settlement in accordance with terms and subject to 409A
3/3/2021	PSUs	Pro-rated PSUs shown at actual; settlement in accordance with terms and subject to 409A
3/3/201	PSUs	Pro-rated PSUs shown at actual; settlement in accordance with terms and subject to 409A
3/3/2021	B+L Separation PSUs	If employment terminated by company other than for performance, target award vest upon full separation
6/9/2016	Options	12 months to exercise vested options post-termination
3/7/2018	Options	Full vesting upon termination; 2-years to exercise vested options post-termination
2/27/2019	Options	Full vesting upon termination; 2-years to exercise vested options post-termination
2/26/2020	Options	Full vesting upon termination; 2-years to exercise vested options post-termination
3/3/2021	Options	Full vesting upon termination; 2-years to exercise vested options post-termination
5/5/2022	B+L Founder RSUs	Pro-rata vesting upon later of employment termination date and consulting termination date on 11/5/2022, with the shares received upon settlement remaining fully restricted and nontransferable until the Unrestricted Date
5/5/2022	B+L Founder Options	Pro-rata remains eligible to vest upon Unrestricted Date, 2-years to exercise post-Unrestricted Date

BAUSCH + LOMB

See better. Live better.

400 Somerset Corporate Blvd.
Bridgewater, NJ 08807
908-927-1400

July 27, 2022

[Name]

Dear [Name]:

The Board of Directors and I recognize that the CEO leadership transition creates some uncertainty for our company and the remaining leadership team during this transitional period. We have built a strong Executive Committee team and each of you is critical to the organization, your people and most importantly, our mission to help people see better to live better.

As such, the Talent and Compensation Committee (the "Committee") of the Board of Directors of Bausch +Lomb (the "Company") has approved your participation in the Executive Committee Retention Program (the "Program"), on the terms and conditions set forth in this letter agreement (this "Letter"):

- **Restricted Stock Unit (RSU) Award** – On July 25, 2022, you were granted a one-time retention award of 35,000 RSUs (your "Retention RSU Award") under the Company's 2022 Omnibus Incentive Plan (the "Plan"), which will vest one-third per year on each of the first three anniversaries of the date of grant, provided that you are employed by the Company on the applicable vesting date. The Retention RSU Award will also fully vest upon a termination of your employment due to your death, disability, involuntary termination by the Company without "cause", your resignation for "good reason" or upon a qualifying termination of your employment following a "change in control" (as such terms are defined in the Plan), in each case as further detailed in the applicable award agreement to be provided to you under the Plan (the "Award Agreement"). Your Retention RSU Award is subject to the terms and conditions of the Plan and the Award Agreement. In the event of any conflict between the terms of this Letter and the terms of the Plan and/or the Award Agreement, the terms of the Plan and the Award Agreement will control.
- **Severance Benefits** –
 - Effective July 25, 2022, in the event of a termination of your employment by the Company without "cause" (as defined below) or your resignation for "good reason" (as defined below), in each case through the one (1) year period immediately following the effective date of the appointment of my permanent successor, then you shall be entitled to receive the following (collectively, the "Severance Benefits"):
 - a cash severance payment in an amount equal to two (2) times the sum of (i) your annual base salary and (ii) your target annual bonus, which shall be payable in a lump sum within 60 days following the date of your termination of employment;
 - payment of your annual cash bonus for the year of termination, which shall be (i) determined based on actual achievement of the applicable performance objectives, (ii) prorated based on the number of days you were employed by the Company during such year prior to your termination date and (iii) paid in a lump sum payment by March 15 of the year following the year in which your termination date occurs;
 - the founder equity awards granted to you under the Plan on May 5, 2022 in the form of restricted stock units (the "Founder RSUs") will vest and be settled as of the date of your termination of employment on a pro-rata basis,

the number of which shall be determined by *multiplying* (i) the number of Founder RSUs granted to you by (ii) a fraction, (A) the numerator of which is the number of days you were employed by the Company from May 5, 2022 through your termination date and (B) the denominator of which is 1,095 (such fraction, the “Proration Factor”), *minus* any Founder RSUs that previously vested in accordance with their terms, if any; *provided, however*, that the net number of shares that you receive upon settlement of the Founder RSUs in accordance with this paragraph (i.e., after satisfaction of any applicable tax withholding obligations upon the vesting and settlement of such Founder RSUs) may not be sold, transferred or otherwise disposed of by you in any manner until the earliest to occur of (1) the date Bausch Health Companies, Inc. (“BHC”) consummates the spin-off distribution of the Company, (2) a “change in control” of the Company (as defined in the Plan), (3) the date the Board of Directors of BHC affirmatively determines that BHC will no longer pursue the spin-off distribution of the Company (a “Strategy Change”) and (4) the second anniversary of your termination of employment (such applicable date, the “Unrestricted Date”); and

- the founder equity awards granted to you under the Plan on May 5, 2022 in the form of stock options (the “Founder Options”) will vest and become exercisable as of the Unrestricted Date on a pro-rata basis, the number of which shall be determined by *multiplying* (i) the number of Founder Options granted to you by (ii) the Proration Factor, *minus* any Founder Options that vested prior to your termination date in accordance with their terms, if any; *provided, however*, that the Founder Options shall (A) not be exercisable unless and until the occurrence of the Unrestricted Date and (B) be exercisable until the later of the second anniversary of (x) the Unrestricted Date and (y) your termination date (provided that, notwithstanding anything to the contrary in this Letter, in no event shall your Founder Options be exercisable at any time following the original expiration date applicable to your Founder Options (i.e., May 5, 2032)).
- o Your entitlement to the above-described Severance Benefits is subject to your execution and non-revocation of a waiver and release of claims to be provided to you by the Company (a “Release”), which such Release shall be executed and become irrevocable within 60 days following the date of your termination of employment.
- o Notwithstanding anything to the contrary in this Letter, the Severance Benefits will be reduced by the amount of any severance payments otherwise payable to you in connection with such termination of your employment under any employment or other agreement between you and the Company or under any applicable severance plan, policy, agreement or arrangement maintained by the Company or any of its affiliates, and in no event will you be entitled to a duplication of severance benefits.
- o For purposes of the Severance Benefits described above, the terms “cause” and “good reason” shall have the meanings set forth in your existing employment agreement with the Company; *provided* that, solely for purposes of the Severance Benefits under this Letter, the occurrence of a Strategy Change shall constitute an additional event giving rise to “good reason” (i.e., by virtue of being deemed a breach by the Company of this Letter solely for purposes of the Severance Benefits), subject to your compliance with the applicable procedural requirements (e.g., notice timing, cure periods and timing of your resignation) set forth in your existing employment agreement in respect of a resignation for “good reason”.
- o Except as expressly modified by this Letter, your employment agreement with the Company will remain in full force and effect in accordance with its existing terms,

including your right to receive other severance payments and benefits upon your termination of employment (without duplication hereunder).

Please sign this Letter to indicate your acceptance of participation in this Program and returned a copy to Kelly Webber by Monday, August 1.

I am proud of what we have accomplished as a team and know that because of each of you, Bausch + Lomb has a bright future ahead.

Very truly yours,

/s/ Joseph C. Papa
Joseph C. Papa
CEO

Name: _____
[Name]

Date: _____

All payments under this Letter shall be subject to any applicable withholding on account of federal, state, local and foreign taxes as required by law. All payments and benefits under this Letter are intended to be exempt from Section 409A of the Internal Revenue Code of 1986, as amended (together with the regulations and guidance promulgated thereunder "Section 409A") or, if not so exempt, to be paid or provided in a manner which complies with the requirements of Section 409A, and this Letter shall be construed and administered in accordance with such intention. With respect to a payment of "nonqualified deferred compensation" (as defined in Section 409A) triggered by a termination of employment, a termination of employment shall be deemed not to have occurred until such time as you incur a "separation from service" in accordance with Section 409A. For purposes of the limitations on nonqualified deferred compensation under Section 409A, each payment of compensation under this Letter shall be treated as a separate payment of compensation. If a payment under this Letter arises on account of your separation from service while you are a "specified employee" (as defined under Section 409A), any payment of "nonqualified deferred compensation" that is scheduled to be paid within six (6) months after such separation from service will accrue without interest and will be paid within 15 days after the end of the six-month period beginning on the date of such separation from service or, if earlier, within 15 days after the appointment of the personal representative or executor of your estate following your death. If the period during which you have discretion to execute or revoke the Release straddles two calendar years, the Severance Benefits shall be paid or commence being paid, as applicable, in all events in the second of such calendar years, regardless of within which calendar year you actually deliver the executed Release agreement to the Company, subject to the release agreement first becoming effective and irrevocable.

Bausch + Lomb Corporation
Form of Restricted Share Unit Award Agreement
(Restricted Share Units)
(2022 Omnibus Incentive Plan)

Bausch + Lomb Corporation (the “*Company*”), pursuant to Section 7(c) of the Company’s 2022 Omnibus Incentive Plan (the “*Plan*”), hereby awards to you a Restricted Share Unit Award in the form of restricted share units (the “*Restricted Share Units*” or the “*Award*”), payable in common shares of the Company (“*Common Shares*”), covering the number of Common Shares set forth below. This Award is subject to all of the terms and conditions as set forth herein (the “*Agreement*”) and in the Plan, which is incorporated herein in its entirety. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Plan. In the event of any conflict between the terms in the Agreement and the Plan, the terms of the Plan shall control. For the avoidance of doubt, any terms contained in the Agreement but are not in the Plan shall not constitute a conflict and such terms in the Agreement shall control.

Participant:	[•]
Date of Grant:	[•]
Number of Shares Subject to Award:	[•]

The details of your Award are as follows.

1. Consideration. Consideration for this Award is satisfied by your services to the Company and its Subsidiaries and complying with the terms of this Agreement.

2. Vesting.

(a) In General. Subject to the provisions of the Plan and this Agreement, the Award shall vest in three equal installments on each of July 25, 2023, July 25, 2024 and July 25, 2025 (each, a “*Vesting Date*”); *provided* you are employed by the Company or one of its Subsidiaries or Affiliates (if applicable) through the applicable Vesting Date and continue to comply with the restrictive covenants in Sections 8 and 9. Vesting will cease upon your Termination of Service (except as set forth below in Sections 2(b) through (d)). Any Restricted Share Units that did not become vested prior to your Termination of Service or that do not become vested according to the provisions in this Section 2 shall be forfeited immediately following the date of your Termination of Service. Settlement of vested Awards shall be pursuant to Section 3 below. For the purposes of this Agreement, “*Termination of Service*” shall have the meaning set forth in the Plan; *provided* however, that, unless otherwise determined by the Committee in its sole discretion, the transfer of employment from the Company to an Affiliate or from a Subsidiary to an Affiliate shall not be deemed a cessation of service that would constitute a Termination of Service for purposes of this Award.

(b) Vesting Acceleration Upon Termination of Service due to Death or Disability. Notwithstanding the foregoing and any other provisions of the Plan to the contrary, in the event of your Termination of Service by the Company due to your death or Disability, then any unvested portion of your Restricted Share Units will vest on the date of your Termination of Service.

(c) Vesting Acceleration Upon Termination of Service without Cause or for Good Reason. Notwithstanding the foregoing and any other provisions of the Plan to the contrary, in the event of your Termination of Service by the Company without Cause or by you for Good Reason, then any unvested portion of your Restricted Share Units will vest on the date

of your Termination of Service, conditioned on you delivering to the Company, and failing to revoke, a signed release of claims acceptable to the Company within fifty-five (55) days following the date of your Termination of Service;

(d) Vesting Acceleration Upon Termination of Service without Cause or for Good Reason in Connection with a Change of Control. Notwithstanding the foregoing and any other provisions of the Plan to the contrary, in the event of your Termination of Service (x) by the Company without Cause or (y) by you for Good Reason, in either case within twelve (12) months following a Change of Control (or during the six month period prior to a Change of Control if such termination was in contemplation of, and directly related to, the Change of Control), then any portion of your unvested Restricted Share Units that was not cancelled in connection with such Change of Control will vest on the date of your Termination of Service (or on the date of the Change of Control if such Termination of Service occurs during the six month period prior to a Change of Control), conditioned on you delivering to the Company, and failing to revoke, a signed release of claims acceptable to the Company within fifty-five (55) days following the date of your Termination of Service.

3. Distribution of Common Shares. The Company will deliver to you a number of Common Shares equal to the sum of (i) the number of Restricted Share Units subject to your Award that become vested in accordance with the terms of this Agreement, plus (ii) any Restricted Share Units resulting from dividend equivalents credited with respect to such Restricted Share Units in accordance with Section 6 of this Agreement, as soon as practicable (but, subject to Section 7(c)(iii) of the Plan regarding blackout restrictions, in any event no later than sixty (60) days) following the date on which such Restricted Share Units become vested; *provided* that, notwithstanding anything in the Plan or this Agreement to the contrary, any remaining right to a distribution of the Common Shares will be forfeited in the event of your Termination of Service for Cause prior to the date on which the Common Shares are distributed to you or if you violate any post-employment obligation that you may have to the Company or any of its Subsidiaries or Affiliates, including the restrictive covenants set forth in Sections 8 and 9.

4. Number of Shares. The number of Common Shares subject to your Award may be adjusted from time to time in accordance with Section 6(e) of the Plan. The Company will establish a bookkeeping account to reflect the number of Restricted Share Units standing to your credit from time to time. However, you will not be deemed to be the holder of, or to have any of the rights of a shareholder with respect to, any Common Shares subject to your Award (including but not limited to shareholder voting rights) unless and until the shares have been delivered to you in accordance with Section 3 of this Agreement.

5. Common Share Ownership Requirements. You agree to comply with any Common Share ownership requirements adopted by the Company applicable to you, which shall be on the same terms as similarly situated executives of the Company.

6. Dividend Equivalents. The bookkeeping account maintained for your Award shall, until the final Vesting Date or the termination and cancellation or forfeiture of the Restricted Share Units pursuant to the terms of this Agreement, be allocated additional Restricted Share Units on the payment date of dividends on the Company's Common Shares. Such dividends will be converted into a number of additional Common Shares covered by the Restricted Share Units equal to the quotient of (i) the aggregate amount or value of the dividends paid with respect to that number of Common Shares equal to the number of shares covered by the Restricted Share Units divided by (ii) the Market Price per Common Share on the payment date for such dividend. Any such additional Restricted Share Units shall have the same Vesting Date[s] and shall vest in accordance with the same terms as the Restricted Share Units granted under this Agreement.

7. Disclosure and Ownership of Intellectual Property.

(e) **Company Intellectual Property.** You acknowledge and agree that any intellectual property, including, without limitation, works, materials, inventions, invention disclosures, invention registrations, patent rights, trademarks, service marks, trade names, trade dress, logos, domain names, copyrights, design rights, mask works, software, apparatus, technology, data, trade secrets, know-how and all other intellectual property and proprietary rights recognized by any applicable law of any jurisdiction, that you create, discover, conceive, reduce to practice, develop or acquire during the course of your employment or service, either alone or jointly with others, (i) using any equipment, supplies, facilities, trade secrets, know-how or other Confidential Information of the Company or any of its affiliates, (ii) that results from any work performed for the Company or any of its affiliates and/or (iii) that otherwise relates to the Company's or any of its affiliates' business or actual or demonstrably anticipated research or development (collectively, "**Company Intellectual Property**") is and shall remain the exclusive property of the Company or the affiliate of the Company, as applicable, that is your employer (the "**Employer**") whether registered or otherwise exploited or not. In furtherance of the foregoing, you hereby assign, transfer, convey and deliver to the Employer your entire right, title and interest in and to any and all such Company Intellectual Property.

(f) **Work Made for Hire.** You acknowledge and agree that, with respect to any Company Intellectual Property that may qualify as a Work Made For Hire as defined in 17 U.S.C. § 101 or other applicable law, such Company Intellectual Property is and will be deemed a Work Made for Hire and the Employer will have the sole and exclusive right to the copyright (or, in the event that any such Company Intellectual Property does not qualify as a Work Made for Hire, the copyright and all other rights thereto are hereby automatically assigned to the Employer as above).

(g) **Disclosure.** You agree to record all activities undertaken in the course of your employment and to disclose promptly in writing to the Employer any and all Company Intellectual Property. You agree that you will give the Company or any of its affiliates all reasonable assistance and execute all documents necessary to assist with enabling the Company or any of its affiliates to prosecute, perfect, register, record, enforce and defend any and all of their rights in and to any Company Intellectual Property and Confidential Information.

(h) **Non-Assignable Inventions.** If your principal work location is in California, Illinois, Kansas, Minnesota or Washington State, the provisions regarding your assignment of Company Intellectual Property to the Employer in Sections 7(a) and (b) of this Agreement may not apply to certain inventions ("**Non-Assignable Inventions**") as specified in the statutory code of the applicable state. You acknowledge having received notification regarding such Non-Assignable Inventions pursuant to such states' codes.

(i) **Prior Intellectual Property.** If, in the course of your employment with the Employer, you use any intellectual property that is solely or jointly owned by you or licensed to you, with the right to sub-license (collectively, "**Prior Intellectual Property**"), you hereby grant to the Company and its affiliates a worldwide, non-exclusive, irrevocable, perpetual, fully paid-up and royalty-free license (with rights to sublicense through multiple tiers of sublicensees) to use, reproduce, modify, make derivative works of, publicly perform, publicly display, make, have made, sell, offer for sale, import and otherwise exploit such Prior Intellectual Property for any purpose.

(j) **Waiver of Moral Rights.** To the extent you may do so under applicable law, you hereby waive and agree never to assert any Moral Rights that you may have in or with respect to any Company Intellectual Property, even after termination of any work on behalf of the Company or its affiliates. As used in this Agreement, "**Moral Rights**" means any rights to

claim authorship of a work, to object to or prevent the modification or destruction of a work, or to withdraw from circulation or control the publication or distribution of a work, and any similar right, existing under any applicable law of any jurisdiction, regardless of whether or not such right is denominated or generally referred to as a “moral right.”

(k) This Section 7 shall survive your Termination of Service.

8. Records and Confidential Data. In consideration of the Restricted Share Units issued to you pursuant to this Agreement, you agree to be bound by the covenant of confidentiality set forth in this Section 8 with respect to any and all Confidential Information (as defined below) disclosed or made available to you or of which you have otherwise become aware, whether before, on or after the date hereof.

(l) **Ownership; Recognition of Company’s Rights.** You acknowledge that in connection with the performance of your duties, the Company will make available to you, or you will have access to, certain Confidential Information of the Company and its affiliates. You acknowledge and agree that any and all Confidential Information you learned or obtained during the course of your employment by the Company or any of its affiliates or otherwise, whether developed by you alone or in conjunction with others or otherwise, shall be and is the sole and exclusive property of the Employer. No license or other right to any Confidential Information is granted to you under this Agreement. To the extent that you acquire any right, title or interest in or to any Confidential Information, you hereby assign, transfer, convey and deliver to the Employer all such right, title and interest in and to such Confidential Information.

(m) **Restrictions.** You (i) will keep all Confidential Information strictly confidential, (ii) will not use Confidential Information in any manner which is detrimental to the Company or its affiliates, (iii) will not use Confidential Information other than in connection with the discharge of your duties to the Company and its affiliates, (iv) will safeguard any and all Confidential Information from unauthorized disclosure, and (v) will not disclose, publish, use, transfer or otherwise disseminate any Confidential Information to any person or entity without the Employer’s express prior written consent, except as may be necessary to perform your duties as an employee of the Company or its affiliates for the benefit of the Company or its affiliates. You may, however, disclose Confidential Information to the extent it is in response to a valid order of a court or other governmental authority or to otherwise comply with applicable law; provided that, subject to Section 8(e), you shall first give notice to the Employer and reasonably cooperate with the Employer to obtain a protective order or other measures preserving the confidential treatment of such Confidential Information and requiring that the information or documents so disclosed be used only for the purposes for which the order was issued or is otherwise required by applicable law. For the avoidance of doubt, nothing in this Section 8(b) shall prevent you from exercising any legally protected whistleblower rights (including under Rule 21F under the Exchange Act).

(n) **Disposition of Confidential Information.** Following your Termination of Service or upon the Company’s request, you will return to the Company all copies of any and all Confidential Information in your custody, possession or control (including all copies of any analyses, compilations, studies or other documents prepared by you or for your use containing or reflecting any Confidential Information). Alternatively, with the Company’s prior written consent, you may destroy such Confidential Information. Within five (5) business days of your Termination of Service or such request by the Company, you shall deliver to the Company a document certifying that such written Confidential Information has been returned or destroyed in accordance with this Section 8(c).

(o) **Confidential Information.** For the purposes of this Agreement, “Confidential Information” shall mean any and all non-public, proprietary or other confidential

information of the Company or its affiliates disclosed to you, to which you have access, or of which you otherwise become aware, in each case whether in oral, written, graphic or machine readable form, including, without limitation, (i) know-how, trade secrets, inventions, discoveries, concepts, information, works, materials, processes, methods, data, software, programs, apparatus, designs and the like, and any other intellectual property the value of which is contingent upon maintaining the confidentiality thereof, (ii) information regarding the business of the Company or its affiliates, including its products, services, budgets, contracts, reports, investigations, experiments, research, work in progress, drawings, designs, plans, proposals, codes, marketing and sales programs, client lists, client mailing lists, supplier lists, financial projections, cost summaries, pricing formulae, marketing studies relating to prospective business opportunities, and all other concepts, ideas, materials, or information prepared or performed for or by the Company or its affiliates, (iii) information regarding the skills and compensation of the employees, contractors, and any other service providers of the Company or its affiliates, (iv) the existence of any business discussions, negotiations, or agreements between the Company or its affiliates and any third party, (v) all documents and other work product generated by you which contain, comment upon, or relate in any way to any information disclosed by the Company or its affiliates, (vi) all third-party information held in confidence by the Company or its affiliates, and (vii) the terms and conditions of this Agreement. For purposes of this Agreement, the Confidential Information shall not include and your obligation shall not extend to (i) information which is generally available to the public and (ii) information obtained by you other than pursuant to or in connection with your employment.

(p) Defend Trade Secrets Act. Pursuant to Section 7 of the Defend Trade Secrets Act of 2016 (which added 18 U.S.C. § 1833(b)), you and the Company acknowledge and agree that you shall not have criminal or civil liability under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a federal, State, or local government official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, and without limiting the preceding sentence, if you file a lawsuit for retaliation by the Company for reporting a suspected violation of law, you may disclose the trade secret to your attorney and may use the trade secret information in the court proceeding, if you (x) file any document containing the trade secret under seal and (y) do not disclose the trade secret, except pursuant to court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. §1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such Section.

(q) Whistleblower Protections. Without limiting the generality of the foregoing, nothing in this Agreement precludes or otherwise limits your ability to (i) communicate directly with and provide information, including documents, not otherwise protected from disclosure by any applicable law or privilege to the Securities and Exchange Commission (the "SEC") or any other federal, state or local governmental agency or commission ("Government Agency") or self-regulatory organization regarding possible legal violations, without disclosure to the Company, or (ii) disclose information which is required to be disclosed by applicable law, regulation, or order or requirement (including without limitation, by deposition, interrogatory, requests for documents, subpoena, civil investigative demand or similar process) of courts, administrative agencies, the SEC, any Government Agency or self-regulatory organizations, provided that you provide the Company with prior notice of the contemplated disclosure and cooperates with the Company in seeking a protective order or other appropriate protection of such information. The Company may not retaliate against you for any of these activities.

(r) This Section 8 shall survive your Termination of Service.

9. Covenant Not to Solicit, Not to Compete and Not to Disparage. In consideration of the Restricted Share Units issued to you pursuant to this Agreement, you agree to be bound by the covenants of non-solicitation, non-competition and non-disparagement set forth in this Section 9.

(s) Covenant Not to Solicit. To protect the Confidential Information and other trade secrets of the Company and its affiliates, you agree, during your employment and for a period of twelve (12) months thereafter (or, if greater, the period set forth in your Service Agreement), not to solicit, hire or participate in or assist in any way in the solicitation or hire of any employees of the Company or any of its Subsidiaries or Affiliates (or any person who was an employee of the Company or any of its Subsidiaries or Affiliates during the 6-month period preceding such action). For purposes of this covenant, “**solicit**” or “**solicitation**” means directly or indirectly influencing or attempting to influence employees of the Company to become employed with any other person, partnership, firm, corporation or other entity. You agree that the covenants contained in this Section 9(a) are reasonable and desirable to protect the Confidential Information of the Company and its affiliates, *provided* that solicitation through general advertising or the provision of references shall not constitute a breach of such obligations.

(t) Covenant Not to Compete. To protect the Confidential Information and other trade secrets of the Company and its affiliates, you agree, during the period of your employment and for a period of twelve (12) months thereafter (or, if greater, the period set forth in your employment agreement) not to engage in Prohibited Activities (as defined below) in any country in which the Company or its affiliates conduct business, or plan to conduct business, during the period of your employment. For the purposes of this Agreement, the term “**Prohibited Activities**” means directly or indirectly engaging as an owner, employee, consultant or agent of any entity that derives more than 10% of its consolidated revenue from the development, manufacturing, marketing and/or distribution (directly or indirectly) of the global eye health business; *provided* that Prohibited Activities shall not mean (i) your investment in securities of a publicly-traded company equal to less than five (5%) percent of such company’s outstanding voting securities or (ii) serving as a member of a board of directors of a company provided that, for the avoidance of doubt, you comply with the obligations set forth in Sections 8 and 9(a) of this Agreement. You agree that the covenants contained in this Section 9(b) are reasonable and desirable to protect the Confidential Information of the Company and its affiliates.

(u) Non-Disparagement Covenant. You agree not to make written or oral statements about the Company or its affiliates or their directors, executive officers or non-executive officer employees that are negative or disparaging. The Company and its affiliates shall not, and the Company and its affiliates shall instruct their directors and executive officers to not, make written or oral statements about you that are negative or disparaging. Notwithstanding the foregoing, nothing in this Agreement shall preclude you, the Company and its affiliates, and the Company’s or any of its affiliate’s directors and executive officers from communicating or testifying truthfully to the extent required by law to any federal, state, provincial or local governmental agency or in response to a subpoena to testify issued by a court of competent jurisdiction.

(v) Your obligations under this Section 9 shall survive your Termination of Service.

10. Severability of Restrictive Covenants. It is the intent and desire of you and the Company that the restrictive provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies as applied in each jurisdiction in which enforcement is sought. If any particular provision of Section 8 or 9 shall be determined to be invalid or unenforceable, such provision shall be amended, without any action on the part of either party hereto, to delete therefrom the portion so determined to be invalid or unenforceable,

such deletion to apply only with respect to the operation of such covenant in the particular jurisdiction in which such adjudication is made.

11. Remedies for Breach of Obligations Under Sections 8 and 9. You acknowledge that the Company will suffer irreparable injury, not readily susceptible of valuation in monetary damages, if you breach any obligation under Sections 8 or 9. Accordingly, you agree that the Company will be entitled, in addition to any other available remedies, to obtain preliminary and permanent injunctive relief against any breach or prospective breach by you of your obligations under Sections 8 or 9. Without limiting other forms of relief available to the Company, in the event of your breach of any of your obligations under Sections 8 or 9, your Award will be forfeited for no consideration and, if payment in respect of your Award has been made, you will be obligated to return the proceeds to the Company. You agree that process in any or all of those actions or proceedings may be served by registered mail, addressed to the last address provided by you to the Company, or in any other manner authorized by law.

12. Clawback. This Agreement is subject to Section 12 of the Plan and any policy the Company adopts regarding the recovery of incentive compensation and any additional clawback provisions as required by law and applicable listing rules.

13. Compliance with Section 409A of the Internal Revenue Code. The Award is intended to comply with section 409A of the Code to the extent subject thereto or to otherwise be exempt from Section 409A of the Code, and shall be interpreted in accordance with this intent and Section 409A of the Code and treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Date of Grant. Notwithstanding any provision in the Plan to the contrary, no payment or distribution under this Plan that constitutes an item of deferred compensation under Section 409A of the Code and becomes payable by reason of your Termination of Service with the Company shall be made to you until your Termination of Service constitutes a separation from service within the meaning of section 409A of the Code. For purposes of this Award, each amount to be paid or benefit to be provided shall be construed as a separate identified payment for purposes of section 409A of the Code. Notwithstanding any provision in the Plan to the contrary, if you are a specified employee within the meaning of section 409A of the Code, then to the extent necessary to avoid the imposition of taxes under section 409A of the Code, you shall not be entitled to any payments upon your Termination of Service until the earlier of: (i) the expiration of the six (6)-month period measured from the date of your separation from service or (ii) the date of your death. Upon the expiration of the applicable waiting period set forth in the preceding sentence, all payments and benefits deferred pursuant to this Section 13 (whether they would have otherwise been payable in a single lump sum or in installments in the absence of such deferral) shall be paid to you in a lump sum as soon as practicable, but in no event later than sixty (60) calendar days, following such expired period, and any remaining payments due under this Award will be paid in accordance with the normal payment dates specified for them herein. Notwithstanding any provision of the Plan to the contrary, in no event shall the Company or any affiliate be liable to you on account of an Award's failure to (i) qualify for favorable U.S. or foreign tax treatment or (ii) avoid adverse tax treatment under U.S. or foreign law, including, without limitation, section 409A of the Code.

14. Securities Law Compliance. You may not be issued any Common Shares under your Award unless the Common Shares are either (i) then registered under the Securities Act of 1933, as amended (the "*Securities Act*") or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Your Award must also comply with other applicable laws and regulations governing the Award, and you shall not receive such shares if the Company determines that such receipt would not be in material compliance with such laws and regulations.

15. Restrictive Legends. The Common Shares issued under your Award shall be endorsed with appropriate legends, if any, determined by the Company.

16. Transferability. Except as otherwise permitted by the Committee in accordance with the terms of the Plan, your Award is not transferable, except by will or by the laws of descent and distribution. Notwithstanding the foregoing, by delivering written notice to the Company, in the form prescribed by the Company, you may designate a third party who, in the event of your death, will thereafter be entitled to receive any distribution of Common Shares pursuant to Section 3 of this Agreement.

17. Award Not a Service Contract. Your Award is not an employment or service contract, and nothing in your Award will be deemed to create in any way whatsoever any obligation on your part to continue in the service of the Company or an affiliate, or on the part of the Company or an affiliate to continue such service. In addition, nothing in your Award will obligate the Company or an affiliate, their respective shareholders, boards of directors or employees to continue any relationship that you might have as an employee of the Company or an affiliate.

18. Unsecured Obligation. Your Award is unfunded, and as a holder of a vested Restricted Share Unit, and you will be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to issue Common Shares pursuant to this Agreement. You will not have voting or any other rights as a shareholder of the Company with respect to the Common Shares subject to your Award until such Common Shares are delivered to you pursuant to Section 3 of this Agreement. Upon such delivery, you will obtain full voting and other rights as a shareholder of the Company. Nothing contained in this Agreement, and no action taken pursuant to its provisions, will create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

19. Withholding Obligations. On or before the time you receive a distribution of Common Shares pursuant to your Award, or at any time thereafter as requested by the Company, you hereby authorize any required withholding from the Common Shares, payroll and any other amounts payable or issuable to you and/or otherwise agree to make adequate provision in cash for any sums that can be withheld to satisfy the federal, state, local and foreign tax withholding obligations of the Company or any affiliate which arise in connection with your Award (the "**Withholding Taxes**"). The Company shall (i) withhold, from Common Shares otherwise issuable upon settlement of the Award, a portion of the Common Shares with an aggregate Market Price (measured as of the date Common Shares are delivered pursuant to Section 3) equal to the amount of the applicable withholding taxes; *provided, however*, that the number of such Common Shares so withheld shall not exceed the maximum amount that can be withheld to satisfy the Company's required tax withholding obligations and (ii) make a cash payment equal to such fair market value directly to the appropriate taxing authorities.

20. Notices. Any notices provided for in your Award or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

21. Headings. The headings of the Sections in this Agreement are inserted for convenience only and will not be deemed to constitute a part of this Agreement or to affect the meaning of this Agreement.

22. Amendment. Nothing in this Agreement shall restrict the Committee's (or its applicable delegate's) ability to exercise its discretionary authority pursuant to Section 4 of the Plan; *provided, however*, that no such action may, without your consent, adversely affect your

rights under your Award and this Agreement. Without limiting the foregoing, the Board (or appropriate committee thereof) reserves the right to change, by written notice to you, the provisions of this Agreement in any way it may deem necessary or advisable to carry out the purpose of the grant as a result of any change in applicable laws or regulations or any future law, regulation, ruling, or judicial decision; *provided* that any such change will be applicable only to rights relating to that portion of the Award which is then subject to restrictions as provided herein.

23. Miscellaneous.

(w) The rights and obligations of the Company under your Award will be transferable by the Company to any one or more persons or entities, and all covenants and agreements hereunder will inure to the benefit of, and be enforceable by the Company's successors and assigns.

(x) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

(y) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award and fully understand all provisions of your Award. This Agreement and the Plan contain the entire agreement and understanding among the parties as to the subject matter hereof, and supersede any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof (including, without limitation, the provisions in your employment letter with respect thereto).

(z) This Agreement will be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(aa) All obligations of the Company under the Plan and this Agreement will be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

24. Governing Plan Document. Your Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of your Award and those of the Plan, the provisions of the Plan will control; *provided, however*, for avoidance of doubt, terms contained in the Agreement but not in the Plan shall not constitute a conflict and such terms in the Agreement shall control. The Committee will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation, and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee will be final and binding upon you, the Company, and all other interested persons. No member of the Board or the Committee will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Agreement.

25. Effect on Other Employee Benefit Plans. The value of the Award subject to this Agreement will not be included as compensation, earnings, salaries, or other similar terms used when calculating the employee's benefits under any employee benefit plan sponsored by the Company or any affiliate except as such plan otherwise expressly provides. The Company

expressly reserves its rights to amend, modify, or terminate any of the Company's or any affiliate's employee benefit plans.

26. Choice of Law. The interpretation, performance and enforcement of this Agreement will be governed by the laws of the Province of Ontario and the laws of Canada. Each of the parties submits to the exclusive jurisdiction of the state courts within the State of New Jersey. In any issue, claim, demand, action, cause of action, suit or proceeding arising out of, or relating to, this Agreement, each of the parties agrees that all claims in respect of the action or proceeding may be heard and determined in any such court, and agrees not to bring any action or proceeding arising out of, relating to, based on or in connection with this Agreement in any other court. Each of the parties waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety or other security that might be required of any other party with respect thereto.

27. Severability. If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity will not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid will, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

28. Appendices. Notwithstanding any provisions in this Agreement, the Restricted Share Units shall be subject to any special terms and conditions for employees outside the United States set forth in Appendix A and Appendix B attached hereto (the "Appendices"). Further, if you relocate to one of the countries included in Appendix B, the special terms and conditions for such country will apply to you to the extent that the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendices constitutes part of this Agreement.

29. Acknowledgements. By accepting this Award, you hereby (i) acknowledge and agree that, notwithstanding anything to the contrary in any Employee Privacy Notice, and subject to the terms of Section 25 of the Plan, such Employee Privacy Notice shall apply to the Company's and its affiliates' processing of your personal data in connection with the Plan and this Award, and (ii) consent to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third-party designated by the Company.

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph C. Papa, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bausch + Lomb Corporation (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [Paragraph intentionally omitted in accordance with SEC Release Nos. 34-47986 and 34-54942];
 - c. Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: November 2, 2022

/s/ JOSEPH C. PAPA

Joseph C. Papa
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Sam Eldessouky, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bausch + Lomb Corporation (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [Paragraph intentionally omitted in accordance with SEC Release Nos. 34-47986 and 34-54942];
 - c. Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter (the Company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: November 2, 2022

/s/ SAM ELDESSOUKY

Sam Eldessouky

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. § 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph C. Papa, Chief Executive Officer of Bausch + Lomb Corporation (the “Company”), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2022

/s/ JOSEPH C. PAPA

Joseph C. Papa
Chief Executive Officer
(Principal Executive Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. § 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Sam Eldessouky, Executive Vice-President and Chief Financial Officer of Bausch + Lomb Corporation (the “Company”), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2022

/s/ SAM ELDESSOUKY

Sam Eldessouky
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.