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 1, 2023 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, 2023 (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, 2023 and for the three and nine months ended September 30, 2023 and 2022 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 Consolidated Financial Statements for the year ended December 31, 2022, which were included in our Annual Report on Form 10-K filed with the SEC and the Canadian Securities Administrators (the "CSA") on February 22, 2023 (the "Annual Report"). 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.sedarplus.com and on the SEC website at www.sec.gov. All currency amounts are expressed in U.S. dollars, unless otherwise noted. Certain defined terms used herein have the meaning ascribed to them in the accompanying unaudited interim Condensed Consolidated Financial Statements as of September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022.

OVERVIEW

Bausch + Lomb is a subsidiary of Bausch Health Companies Inc. ("BHC"), with BHC holding (as of October 27, 2023), directly or indirectly, approximately 88.5% of the issued and outstanding 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 ("IOLs") 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 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 170-year history. We have a significant global research, development, manufacturing and commercial footprint of approximately 13,000 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, (ii) 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, redness relief, and eye vitamins and mineral supplements. Our eye vitamin products include our PreserVision® AREDS 2 formula and other 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 Ocuvite®.

The 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 pharmaceutical brands are Vyzulta®, Lotemax®, Prolensa® and Minims®. In addition, during September 2023, the Company acquired XIIDRA® (as further discussed below), which the Company expects will complement and grow its existing dry eye franchise. Effective June 30, 2023, the Company renamed its former Ophthalmic Pharmaceuticals segment to the Pharmaceuticals segment. Aside from the change in name, there were no other changes made to this segment at that time.

The Surgical Segment—consists of medical device equipment, consumables and technologies for the treatment of cataracts, corneal, vitreous and retinal eye conditions, which includes IOLs and delivery systems, phacoemulsification equipment and other surgical instruments and devices necessary for cataract surgery. Key surgical brands include Akreos®, AMVISC®, IC-8® Apthera™, Crystalens® IOLs, enVista® IOLs, Millennium®, Stellaris Elite® vision enhancement system, Synergetics™, ClearVisc™, StableVisc, 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 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 Canadian base PREP prospectus on May 5, 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 of Bausch + Lomb to cover over-allotments at the IPO offering price less underwriting commissions. On May 31, 2022, the underwriters 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. As of October 27, 2023, BHC directly or indirectly held 310,449,643 issued and outstanding common shares of Bausch + Lomb, which represented approximately 88.5% of our common shares.

The completion of the full Separation of Bausch + Lomb, which includes the transfer of all or a portion of BHC's remaining direct or indirect equity interest in Bausch + Lomb to its shareholders (the "Distribution"), is subject to the achievement of targeted debt leverage ratios and the receipt of applicable shareholder and other necessary approvals and other factors, and is subject to various risk factors relating to the Separation. We understand that BHC continues to believe that completing the B+L Separation makes strategic sense and that BHC continues to evaluate all relevant factors and considerations related to completing the Separation, including the effect of the lawsuit filed against Norwich Pharmaceuticals Inc. BHC may effect the Distribution through a plan of arrangement, one or more distributions effected as a dividend or a tax-free reduction of capital to all BHC shareholders, one or more distributions in exchange for BHC shares or other securities, or any combination thereof. Prior to the completion of any such Distribution, BHC may also sell a portion of its remaining direct or indirect equity interest in us through an offering to third parties. On August 3, 2023, BHC disclosed that it now believes it may be optimal to effect the Distribution through a tax-free reduction of capital rather than pursuant to the terms of the existing plan of arrangement. BHC has indicated that it continues to evaluate the structure of any Distribution and other related details.

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 provides us operating flexibility and puts 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 allows us and the market to compare the operating results of our eye health business with other 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.

For additional information on the risks related to the Separation, see Item 1A. "Risk Factors — Risks Relating to the Separation" of our Annual Report.

Positioning for Growth

Product Development

We continuously search for new product opportunities through internal development, strategic licensing agreements and acquisitions, 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.

We believe our 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, where applicable, 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 and preservative free formulation of eye drops, 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 robust bench testing that is designed to comply with international standards and through clinical trials. Certain key near-term pipeline products that have received a significant portion of our R&D investment in current and prior periods are listed below.

- SiHy Daily - A silicone hydrogel daily disposable contact lens designed to provide outstanding comfort and clear vision throughout the day. To date SiHy Daily has been launched in approximately 50 countries, under the brand names INFUSE®, ULTRA® ONE DAY and AQUALOX® ONE DAY. We continue to plan to launch our SiHy Daily lenses into additional countries throughout 2023. In addition, we launched our first silicone hydrogel daily disposable multifocal contact lens in May 2023, and plan to launch a toric lens in 2024.

- Lumify® (brimonidine tartrate ophthalmic solution, 0.025%) - An OTC eye drop developed as an ocular redness reliever. To date, we have launched and acquired the right to launch Lumify® in various countries. We also have several innovative new line extension formulations that were recently launched or under development, including Lumify® Eye Illuminations, which launched in the U.S. in September 2023, Lumify Preservative Free, for which the New Drug Application ("NDA") was submitted to the U.S. Food and Drug Administration (the "FDA") in May 2023, and Lumify® Allergy, for which we expect to submit an NDA during 2024.

- Biotrue® – We have expanded, and continue to expand, the Biotrue® brand. Biotrue® Hydration Plus Multi-Purpose Solution was launched in the U.S. and Canada (branded as Biotrue® Advanced MPS) in 2022 and we launched Biotrue® Advanced MPS in China in August 2023. In addition, certain Biotrue® branded dry eye line extensions have been developed or are currently under development, including Biotrue® Preservative Free Contact Lens Rehydrating Drops, which received FDA clearance in December 2022 and was launched in May 2023.

- MIEBO™ (perfluorohexyloctane) (formerly known as NOV03) – In December 2019, we acquired an exclusive license from Novaliq GmbH (the "Novaliq License") for the commercialization and development in the U.S. and Canada of MIEBO™ for the treatment of the signs and symptoms of dry eye disease ("DED"). The NDA was filed with the FDA in June 2022, approved by the FDA on May 18, 2023 and launched in the U.S. in September 2023. We submitted the filing for Canadian approval of this product during the first quarter of 2023. MIEBO™ is the first and only FDA-approved treatment for DED that directly targets tear evaporation and we believe the addition of MIEBO™ will help build upon our strong portfolio of integrated eye health products.

- LuxLife™ – We are expanding our portfolio of premium IOLs built on the "Lux" platform with the LuxLife™ Trifocal IOL with two options, non-Toric and Toric for astigmatic patients. This product is expected to be launched in various European markets in 2024.

- enVista® – We are expanding our portfolio of premium IOLs built on the enVista® platform with Aspire™ (Monofocal Plus), Envy™ Trifocal and BEYOND™ (extended depth of focus ("EDOF")) optical designs with two options: non-Toric and Toric for astigmatism patients. enVista® Aspire monofocal and toric IOLs with Intermediate Optimized optics began launching in the U.S. during October 2023 and we anticipate launching Trifocal and EDOF optical designs for presbyopia in the U.S. in 2024 and 2025/2026, respectively.

Strategic Acquisitions and 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. In addition to licensing agreements, we selectively consider any acquisition that we believe aligns well with our current organization and strategic plan to help drive profitable growth and advance our mission of helping people see better to live better. Certain recent strategic acquisitions and licensing agreements that we have entered into include the following:

2023 Acquisitions

- Acquisition of XIIDRA® – In September 2023, the Company acquired XIIDRA®, the first and only non-steroid eye drop specifically approved to treat the signs and symptoms of dry eye disease focusing on inflammation associated with dry eye, which we expect to begin facing loss of exclusivity ("LOE") in the second quarter of 2032, and certain other ophthalmology assets from Novartis Pharma AG and Novartis Finance Corporation (together with Novartis Pharma AG, "Novartis") (the "XIIDRA Acquisition"). As part of the XIIDRA Acquisition, the Company also acquired libvatrep (also known as SAF312), an investigational compound being studied for the treatment of chronic ocular surface pain, AcuStream® technology, an investigational device that may have the potential to facilitate precise dosing and accurate delivery of certain topical ophthalmic medications to the eye, and OJL332, a non-competitive antagonist (inhibitor) of TRPV1 that is still in the pre-clinical stage. We believe the XIIDRA Acquisition will complement and grow our existing dry eye franchise.

- Acquisition of Blink® Product Line – In July 2023, we acquired the Blink® OTC product line of eye and contact lens drops from Johnson & Johnson Vision, which consists of Blink® Tears Lubricating Eye Drops, Blink® Tears Preservative Free Lubricating Eye Drops, Blink GelTears® Lubricating Eye Drops, Blink® Triple Care Lubricating Eye Drops, Blink Contacts® Lubricating Eye Drops and Blink-N-Clean® Lens Drops (collectively, the "Blink® Product Line"). We believe this acquisition will enable us to continue to grow our global OTC business.

- Acquisition of AcuFocus – During January 2023, we acquired AcuFocus, Inc. ("AcuFocus"). AcuFocus is an ophthalmic medical device company that has delivered breakthrough small aperture intraocular technology to address diverse unmet needs in eye care. The IC-8® Apthera™ IOL was approved by the FDA in July 2022 as the first and only small aperture non-toric EDOF IOL for certain cataract patients who have as much as 1.5 diopters of corneal astigmatism and wish to address presbyopia at the same time. We believe that the IC-8® Apthera™ EDOF IOL will bolster our surgical portfolio by enhancing our IOL offerings, which is a strategic area of focus for the Company.

2022 Licensing Agreement and Acquisitions

- 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.

- During September 2022, we entered into an exclusive distribution agreement with Alfa Instruments s.r.l., under which Bausch + Lomb will distribute and commercialize Alfa Instruments' line of surgical intraocular dyes, Vitreocare, globally with the exception of Italy, where Alfa Instruments is based.
- During November 2022, we acquired Paragon BioTeck, Inc. ("Paragon BioTeck"), an eye-care focused drug development company, having a primary emphasis on the early detection of ocular diseases. This acquisition allows us to maximize the revenues and margins associated with Paragon BioTeck's products, for which Bausch + Lomb had previously had commercialization rights.
- During December 2022, we acquired Total Titanium Inc., an ophthalmic microsurgical instrument and machined parts manufacturing company. We believe that this acquisition is an important step in continuing to expand our surgical portfolio as it provides us with the opportunity to increase our manufacturing capacity and more specifically bolster our position in the ophthalmic microsurgical instrumentation market.

We regularly consider further strategic licensing and acquisition opportunities, some of which could be material in size.

Investment in Our Manufacturing Facilities

As our business continues to grow, 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, as well as certain international facilities. The continued investment in our infrastructure is in support of our recent and future product launches; to increase capacity to meet increased demand for our products; as well as to promote efficiencies, including those to enhance our supply chain and distribution capabilities in both the U.S. and international locations. Continued investment in our infrastructure remains an area of our focus and 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 high levels of inflation and global supply-chain disruption.

In May 2023, the Biden administration announced a round of U.S. sanctions and export controls against Russia and Belarus in response to the ongoing war. These sanctions impact our ability to distribute our U.S. manufactured contact lenses and our U.S. surgical products to Russia and Belarus. However, in response to these sanctions, we have applied for licenses with the U.S. Department of Commerce's Bureau of Industry and Security, which, once received, will allow us to resume the sale of the applicable currently sanctioned products. Certain of these licenses have been obtained, while others remain pending. The recent sanctions imposed by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) in September 2023 do not require us to obtain any further licenses, other than those already in process. In addition, in June 2023, the EU agreed upon another round of sanctions against Russia that include, among other key elements, new targeted sanctions against individuals and entities, an expansion of the restrictions on the sale, export and transit of certain goods and technology and additional anti-circumvention measures. However, we were not required to obtain any additional licenses in response to these new EU sanctions, as we had previously obtained the requisite licenses from the applicable authorities in this region in response to sanctions previously imposed by the EU. To date, the challenges associated with the Russia-Ukraine War and related sanctions from the U.S., EU and elsewhere have not yet had a material impact on our operations.

Our revenues attributable to Russia, Ukraine and Belarus were approximately 3% and 4% of our total revenues for the nine months ended September 30, 2023 and year ended December 31, 2022, respectively. In addition, we do not have any research or manufacturing facilities in Russia, Ukraine or Belarus. While we have been monitoring this conflict, and will

continue to do so as this conflict continues to evolve, we are unable to predict the impact of this conflict on the Company's business.

For a further discussion of these and other risks relating to our international business, see "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations- Business Trends" of our Annual Report.

Impacts of COVID-19 Pandemic

As the global economy recovers from the impacts of the COVID-19 pandemic, the outbreak of the omicron variant in China in 2022 resulted in government enforced lockdowns and other social restrictions, which impacted our ability to conduct business as usual in certain regions in China. Throughout 2022, lockdowns in China 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. Additionally, government enforced lockdowns 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. We have dealt with these issues in China with only a minimal impact on our manufacturing and distribution processes. These lockdowns in China were halted in December 2022, and, in March 2023, China reopened its borders to tourists. Our revenues in China for the nine months ended September 30, 2023 and 2022 were $250 million and $251 million, respectively, representing a decrease of $1 million, which was due to the unfavorable change in foreign currency. We expect to continue to see gradual improvements to our revenues in China over time. 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. Future developments with respect to COVID-19, the reaction thereto and other governmental and/or geopolitical developments in China may impact our business and results of operations, and while we remain confident that our business in China is well-positioned to return to stable growth over time, there can be no guarantee as to the performance of our business in China for any future period.

For a further discussion of these and other COVID-19 related risks, see "Risk Factors— Risks Relating to Economic and Market Conditions" and "Management's Discussion and Analysis of Financial Condition and Results of Operations- Business Trends" of our Annual Report.

Inflation and Supply Chain

Changes in economic conditions, including, supply chain constraints, logistics challenges, labor shortages, the Russia-Ukraine War, and steps taken by governments and central banks, particularly in response to the COVID-19 pandemic, as well as other stimulus and spending programs, have led to higher inflation, which has led to an increase in costs and may cause changes in fiscal and monetary policy, including increased interest rates. In a higher inflationary environment, we may be unable to raise the prices of our products and services sufficiently to keep up with the rate of inflation. Moreover, negative macroeconomic conditions could adversely impact our ability to obtain financing in the future on terms acceptable to us, or at all. In addition, geopolitical instability and related sanctions could continue to have significant ramifications on global financial markets, including volatility in the U.S. and global financial markets. As a result of these global macroeconomic conditions, including, but not limited to those caused by the Russia-Ukraine War and the COVID-19 pandemic, we have experienced 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, primarily within our contact lens and surgical businesses.

The supply-chain challenges have impacted our revenues and resulting margins, despite our efforts to manage these impacts through strategic pricing actions and other initiatives. While we expect these supply chain challenges to continue through the remainder of 2023 and into 2024, 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, including strategically spot buying key components of inventory and securing multiple supply sources; however, we expect these supply constraints may build-up a higher cost of inventory and, therefore, put pressure on our future margins. However, we are subject to price control restrictions on our prescription ophthalmology products in a number of countries in which we operate, and, as a result, our ability to raise prices in a timely fashion in anticipation of, or responding to, inflation may be limited or delayed.

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 143 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 consolidated revenue of at least €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 15, 2022, the European Union member states unanimously adopted the directive to implement pillar two rules. According to the directive, the member states are expected to enact pillar two rules into domestic law, with certain elements becoming effective for fiscal years beginning after December 31, 2023. The OECD has published model rules and other guidance with respect to pillar two, which are generally consistent with the agreement reached by the Inclusive Framework in October 2021. On February 1, 2023, the Inclusive Framework released a package of technical and administrative guidance on the implementation of pillar two, including the scope of companies that will be subject to the Global Anti-Base Erosion Rules, transition rules, and guidance on domestic minimum taxes that countries may choose to adopt, among other topics. We will continue to monitor the implementation of the Inclusive Framework agreement by the countries in which we operate. On August 4, 2023, Canada released draft legislation intended to enact the pillar 2 provisions of the Inclusive Framework, the Global Minimum Tax Act ("GMTA"). The GMTA is generally aligned with the model rules proposed by OECD and expected to become effective for fiscal years beginning after December 31, 2023. Although we are unable to predict when and how the Inclusive Framework agreement will be enacted into law in these countries, 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. On February 1, 2023, the U.S. Financial Accounting Standards Board indicated that they believe the minimum tax imposed under pillar two is an alternative minimum tax, and, accordingly, deferred tax assets and liabilities associated with the minimum tax would not be recognized or adjusted for the estimated future effects of the minimum tax but would be recognized in the period incurred.

Health Care Reform

The U.S. federal and state governments continue to propose and pass legislation designed to regulate the health care industry. Many of these changes focus on health care cost containment, which result in pricing pressures relating to the sales and reimbursements of health care products. The Biden administration and Congress continue to focus on health care cost containment which could result in legislative and regulatory changes that may negatively impact our businesses.

In addition, we continue to face various proposed health care pricing changes and regulations from governments throughout the world in locations in which we operate our business. These proposed changes may also continue to result in pricing pressures relating to sales, promotions and reimbursement of our product portfolio.

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, the FDA and applicable foreign governments in locations in which we operate; 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 over the next five years, following which we anticipate generic competition of these products. Following a 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.

Based on current patent expiration dates, settlement agreements and/or competitive information, we have identified one product, Prolensa®, which is expected to begin facing LOE in the fourth quarter of 2023, which in the aggregate accounted for approximately 1% of our total revenues in 2022. 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, in connection with our Lumify®, PreserVision®, Vyzulta® and Lotemax® SM products, we have commenced ongoing infringement proceedings (or anticipate commencing infringement proceedings) against potential generic competitors or other potential infringers in the U.S. If we are not successful in these proceedings, we may face increased generic competition for these products.

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 7% and 6% of our total revenues in 2022 and 2021, respectively. 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.

See Note 17, "LEGAL PROCEEDINGS" to our unaudited interim Condensed Consolidated Financial Statements included elsewhere in this Form 10-Q, as well as Note 20, "LEGAL PROCEEDINGS" of our audited Consolidated Financial Statements for the year ended December 31, 2022, included in our Annual Report, 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 routinely 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, including 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 our Annual Report, 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.

RESULTS OF OPERATIONS

Our unaudited operating results for the three and nine months ended September 30, 2023 and 2022 were as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Revenues						
Product sales	$ 1,004	$ 937	$ 67	$ 2,963	$ 2,755	$ 208
Other revenues	3	5	(2)	10	17	(7)
	1,007	942	65	2,973	2,772	201
Expenses						
Cost of goods sold (excluding amortization and impairments of intangible assets) (Note 4)	391	370	21	1,179	1,093	86
Cost of other revenues	1	2	(1)	2	6	(4)
Selling, general and administrative (Note 4)	418	381	37	1,253	1,092	161
Research and development (Note 4)	82	77	5	244	229	15
Amortization of intangible assets	47	59	(12)	160	188	(28)
Other expense, net	28	7	21	54	8	46
	967	896	71	2,892	2,616	276
Operating income	40	46	(6)	81	156	(75)
Interest income	4	2	2	12	3	9
Interest expense (Note 4)	(76)	(35)	(41)	(184)	(99)	(85)
Foreign exchange and other	(3)	6	(9)	(18)	15	(33)
(Loss) income before provision for income taxes	(35)	19	(54)	(109)	75	(184)
Provision for income taxes	(45)	(34)	(11)	(88)	(60)	(28)
Net (loss) income	(80)	(15)	(65)	(197)	15	(212)
Net income attributable to noncontrolling interest	(4)	(3)	(1)	(9)	(8)	(1)
Net (loss) income attributable to Bausch + Lomb Corporation	$ (84)	$ (18)	$ (66)	$ (206)	$ 7	$ (213)

Three Months Ended September 30, 2023 Compared to the Three Months Ended September 30, 2022

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, IOLs 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 18, "SEGMENT INFORMATION" to our unaudited interim Condensed Consolidated Financial Statements 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.

Our revenues were $1,007 million and $942 million for the three months ended September 30, 2023 and 2022, respectively, an increase of $65 million, or 7%. The increase was attributable to: (i) increased volumes of $41 million across each of our segments, (ii) increased net realized pricing of $22 million, primarily driven by our Vision Care segment and (iii) incremental sales attributable to acquisitions of $15 million primarily within our Vision Care and Surgical segments. The increases in revenue were partially offset by: (i) the unfavorable impact of foreign currencies of $10 million, primarily in Asia, and (ii) the impact of divestitures and discontinuations of $3 million, particularly the discontinuation of certain products within our Surgical and Vision Care segments.

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, 2023 and 2022.

	2023		2022		Change	
(in millions)	**Amount**	**Pct.**	**Amount**	**Pct.**	**Amount**	**Pct.**
Segment Revenues						
Vision Care	$ 648	64 %	$ 597	64 %	$ 51	9 %
Pharmaceuticals	174	17 %	173	18 %	1	1 %
Surgical	185	19 %	172	18 %	13	8 %
Total revenues	$ 1,007	100 %	$ 942	100 %	$ 65	7 %

Beginning in the first quarter of 2023, certain products historically included in the reported results of the Pharmaceuticals segment are now included in the reported results of the Vision Care segment and certain products included in the reported results of the Vision Care segment are now included in the reported results of the Pharmaceuticals segment. The net impact of these product movements were not material to the periods presented. Prior period presentations of segment revenues and profits have been conformed to the current segment reporting structure. See Note 18, "SEGMENT INFORMATION" to the unaudited interim Condensed Consolidated Financial Statements for additional information regarding these reportable segments.

Constant Currency Revenues and Constant Currency Revenue Growth (non-GAAP)

Constant Currency Revenue Growth, a non-GAAP measure, is defined as a change in Revenues (its most directly comparable GAAP financial measure) on a period-over-period basis adjusted for changes in foreign currency exchange rates (if applicable). The Company uses Constant Currency Revenues (non-GAAP) and Constant Currency Revenue Growth (non-GAAP) to assess performance of its reportable segments, and the Company in total, without the impact of foreign currency exchange fluctuations. The Company believes that such measures are useful to investors as they provide a supplemental period-to-period comparison.

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.

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 constant currency revenues (non-GAAP) and the period-over-period changes in constant currency revenue (non-GAAP) for the three months ended September 30, 2023 and 2022.

	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022	Change in Constant Currency Revenue (Non-GAAP)	
(in millions)	Revenue as Reported	Changes in Exchange Rates	Constant Currency Revenue (Non-GAAP)	Revenue as Reported	Amount	Pct.
Vision Care	$ 648	$ 13	$ 661	$ 597	$ 64	11 %
Pharmaceuticals	174	—	174	173	1	1 %
Surgical	185	(3)	182	172	10	6 %
Total	$ 1,007	$ 10	$ 1,017	$ 942	$ 75	8 %

Vision Care Segment Revenue

The Vision Care segment revenue was $648 million and $597 million for the three months ended September 30, 2023 and 2022, respectively, an increase of $51 million, or 9%. The increase was driven by: (i) an increase in volumes of $29 million, (ii) an increase in net pricing of $24 million and (iii) incremental sales attributable to acquisitions driven by the acquisition of the Blink® Product Line in July 2023. The increases in volumes and pricing were primarily driven by higher sales of Lumify® and PreserVision® in our consumer eye care business and SiHy Daily lenses and Ultra® within our contact lens business. These increases were partially offset by: (i) the unfavorable impact of foreign currencies of $13 million, primarily in Russia and Asia, and (ii) the impact of divestitures and discontinuations of $1 million, driven by the discontinuation of certain products.

Our change in volumes for the three months ended September 30, 2023 within our contact lens business was unfavorably impacted by unfulfilled orders at our Lynchburg distribution facility. During the second quarter of 2023, we put into place a system upgrade; however, we incurred disruptions during the implementation of this upgrade, which resulted in the slower than normal processing of certain orders, thereby negatively impacting our revenues for the three months ended September 30, 2023. We expect to substantially resolve the Lynchburg implementation disruptions, and optimize the system upgrade, during the first quarter of 2024.

Pharmaceuticals Segment Revenue

The Pharmaceuticals segment revenue was $174 million and $173 million for the three months ended September 30, 2023 and 2022, respectively, an increase of $1 million, or 1%, primarily due to higher sales of Vyzulta® and our International Pharmaceuticals portfolio. The increase was driven by an increase in volumes of $3 million, partially offset by a decrease in net realized pricing of $2 million.

Surgical Segment Revenue

The Surgical segment revenue was $185 million and $172 million for the three months ended September 30, 2023 and 2022, respectively, an increase of $13 million, or 8%. The increase was driven by: (i) an increase in volumes of $9 million, primarily due to increased demand of consumables and equipment, (ii) incremental sales attributable to acquisitions of $3 million and (iii) the favorable effect of foreign currencies of $3 million, driven by parts of Europe.

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, 2023 and 2022 were as follows:

	Three Months Ended September 30,			
	2023		2022	
(in millions)	Amount	Pct.	Amount	Pct.
Gross product sales	$ 1,394	100.0 %	$ 1,297	100.0 %
Provisions to reduce gross product sales to net product sales				
Discounts and allowances	92	6.60 %	85	6.60 %
Returns	22	1.60 %	17	1.30 %
Rebates	136	9.80 %	133	10.30 %
Chargebacks	134	9.60 %	119	9.20 %
Distribution fees	6	0.40 %	6	0.50 %
Total provisions	390	28.00 %	360	27.80 %
Net product sales	1,004	72.00 %	937	72.20 %
Other revenues	3		5	
Revenues	$ 1,007		$ 942	

Cash discounts and allowances, returns, rebates, chargebacks and distribution fees as a percentage of gross product sales were 28.0% and 27.8% for the three months ended September 30, 2023 and 2022, respectively, an increase of 0.2% percentage points, and is primarily attributable to the increase in chargebacks as a percentage of revenues. Chargebacks were $134 million and $119 million for the three months ended September 30, 2023 and 2022, respectively, an increase of $15 million. The increase in chargebacks is primarily attributable to our generics portfolio as a result of changes in product and customer mix, as well as growth in volume.

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 $391 million and $370 million for the three months ended September 30, 2023 and 2022, respectively, an increase of $21 million, or 6%. The increase was primarily driven by: (i) higher volumes and (ii) costs of sales associated with acquisitions entered into in the current year, partially offset by lower inventory write-offs.

Contribution (product sales revenue less cost of goods sold, exclusive of amortization and impairments of intangible assets) increased by $46 million, primarily driven by: (i) the increase in net realized pricing and volumes, as previously discussed, (ii) lower inventory write-offs and (iii) contribution associated with acquisitions entered into in the current year, partially offset by: (i) the increase in cost of goods sold due to supply shortages and (ii) the unfavorable impact of foreign currencies.

Cost of goods sold as a percentage of Product sales was 38.9% and 39.5% for the three months ended September 30, 2023 and 2022, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative ("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.

SG&A expenses were $418 million and $381 million for the three months ended September 30, 2023 and 2022, respectively, an increase of $37 million, or 10%. The increase was primarily attributable to: (i) higher professional fees, primarily related to Business Transformation Costs (as defined below), (ii) higher selling, advertising and promotion expenses due to product launches during the quarter, primarily MIEBO™ and costs related to the advertising and sales of products acquired during the year, primarily Blink®, (iii) inflation and (iv) dis-synergy costs associated with the Company becoming a stand-alone entity.

As a result of the completion of the B+L IPO, and as the Company prepares for post-Separation operations, the Company is launching certain initiatives that may result in certain changes to, and investment in, its organizational structure and operations. The Company refers to the charges related to these initiatives as "Business Transformation Costs". These costs are recorded in SG&A in the unaudited Condensed Consolidated Statements of Operations and include third-party advisory costs, as well as certain compensation-related costs associated with changes in the Company's executive officers, such as severance-related costs associated with the departure of the Company's former executives and the costs associated with the appointment of the Company's new executives.

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 $82 million and $77 million for the three months ended September 30, 2023 and 2022, respectively, an increase of $5 million, or 6%, primarily due to certain products in development, as previously discussed.

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 $47 million and $59 million for the three months ended September 30, 2023 and 2022, respectively, a decrease of $12 million, or 20%, primarily due to fully amortized intangible assets no longer being amortized in 2023.

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, 2023 and 2022 consists of the following:

	Three Months Ended September 30,	
(in millions)	**2023**	**2022**
Asset impairments	$ —	$ 1
Restructuring, integration and separation costs	11	5
Litigation and other matters	2	—
Acquired in-process research and development costs	—	1
Acquisition-related costs	16	—
Acquisition-related contingent consideration	(1)	—
Other expense, net	$ 28	$ 7

Operating income

Operating income was $40 million and $46 million for the three months ended September 30, 2023 and 2022, respectively, a decrease of $6 million, or 13%, and primarily reflects the increase in SG&A and Other expense, partially offset by the increase in contribution, each as previously discussed.

Segment Profit

Segment profit is based on operating income after the elimination of intercompany transactions. Certain costs, such as Amortization of intangible assets and Other expense, net, are not included in the measure of segment profit, as management excludes these items in assessing segment financial performance. Segment profit is a measure of operating performance of our reportable segments and may not be comparable to similar measures reported by other companies. Segment profit is a performance metric utilized by the Company's CEO, who is the Company's Chief Operating Decision Maker, to allocate resources to and assess performance of the Company's segments. See Note 18, "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 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, 2023 and 2022.

	2023		2022		Change	
(in millions)	**Amount**	**Pct.**	**Amount**	**Pct.**	**Amount**	**Pct.**
Segment Profits / Segment Profit Margins						
Vision Care	$ 182	28 %	$ 167	28 %	$ 15	9 %
Pharmaceuticals	53	30 %	50	29 %	3	6 %
Surgical	9	5 %	9	5 %	—	— %

Vision Care Segment Profit

The Vision Care segment profit was $182 million and $167 million for the three months ended September 30, 2023 and 2022, respectively, an increase of $15 million, or 9%. The increase was primarily driven by increased contribution, driven by the increases in volume and pricing, as previously discussed, partially offset by higher selling expenses across each of our businesses and higher R&D expense primarily related to the Lumify® projects, as previously discussed.

Pharmaceuticals Segment Profit

The Pharmaceuticals segment profit was $53 million and $50 million for the three months ended September 30, 2023 and 2022, respectively, an increase of $3 million, or 6%. The increase was primarily driven by increased contribution, driven by the increase in volume, as previously discussed, partially offset by higher advertising and promotional expenses, primarily as a result of increased spending related to the launch of MIEBO™.

Surgical Segment Profit

The Surgical segment profit was $9 million for each of the three months ended September 30, 2023 and 2022, as the increase in revenue was offset by higher cost of sales.

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.

Interest expense was $76 million and $35 million for the three months ended September 30, 2023 and 2022, respectively, an increase of $41 million. The increase is primarily attributable to: (i) increased interest expense associated with the May 2027 Term Facility (as defined and discussed in further detail, under Item "— Liquidity and Capital Resources — Liquidity and Debt — Long-term Debt"), (ii) certain upfront financing commitment costs incurred in connection with the XIIDRA Acquisition and (iii) interest expense related to the outstanding balance under our Revolving Credit Facility (as defined and discussed in further detail, under Item "— Liquidity and Capital Resources — Liquidity and Debt — Long-term Debt"). See Note 10, "FINANCING ARRANGEMENTS" to our unaudited interim Condensed Consolidated Financial Statements for further details regarding the May 2027 Term Facility and the Revolving Credit Facility.

Foreign Exchange and Other

Foreign exchange and other primarily includes translation gains/losses on intercompany balances 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 loss of $3 million and a net gain of $6 million for the three months ended September 30, 2023 and 2022, respectively.

Income Taxes

Provision for income taxes were $45 million and $34 million for the three months ended September 30, 2023 and 2022, respectively, an increase of $11 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) the filings of certain tax returns and (b) a change in the deduction for stock compensation.

See Note 15, "INCOME TAXES" to our unaudited interim Condensed Consolidated Financial Statements for further details.

Net (loss) income attributable to Bausch + Lomb Corporation

Net loss attributable to Bausch + Lomb Corporation for the three months ended September 30, 2023 and 2022 was $84 million and $18 million, respectively, a decrease in our results of $66 million and was primarily due to: (i) an increase in interest expense of $41 million, (ii) the increase in the Provision for income taxes of $11 million and (iii) the decrease in our operating results of $6 million, each as previously discussed.

Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 30, 2022

Revenues

Our revenues were $2,973 million and $2,772 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of $201 million, or 7%. The increase was attributable to increases in: (i) volumes of $167 million across each of our segments, (ii) net realized pricing of $81 million, primarily driven by our Vision Care segment and (iii) incremental sales attributable to acquisitions of $19 million driven by our Vision care and Surgical segments. The increases in revenue were partially offset by: (i) the unfavorable impact of foreign currencies across all of our international businesses of $59 million, primarily in Asia and Europe, and (ii) the impact of divestitures and discontinuations of $7 million, related to the discontinuation of certain products within our Surgical and Vision Care segments.

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, 2023 and 2022.

	2023		2022		Change	
(in millions)	Amount	Pct.	Amount	Pct.	Amount	Pct.
Segment Revenues						
Vision Care	$ 1,881	63 %	$ 1,745	63 %	$ 136	8 %
Pharmaceuticals	529	18 %	497	18 %	32	6 %
Surgical	563	19 %	530	19 %	33	6 %
Total revenues	$ 2,973	100 %	$ 2,772	100 %	$ 201	7 %

Constant Currency Revenues and Constant Currency Revenue Growth (non-GAAP)

The following table presents a reconciliation of Revenues to constant currency revenues (non-GAAP) and the period-over-period changes in constant currency revenue (non-GAAP) for the nine months ended September 30, 2023 and 2022. Constant Currency Revenues (non-GAAP) and Constant Currency Revenue Growth (non-GAAP) are defined in the previous section titled "Constant Currency Revenues and Constant Currency Revenue Growth (non-GAAP)".

	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2022	Change in Constant Currency Revenue (Non-GAAP)	
(in millions)	Revenue as Reported	Changes in Exchange Rates	Constant Currency Revenue (Non-GAAP)	Revenue as Reported	Amount	Pct.
Vision Care	$ 1,881	$ 48	$ 1,929	$ 1,745	$ 184	11 %
Pharmaceuticals	529	7	536	497	39	8 %
Surgical	563	4	567	530	37	7 %
Total	$ 2,973	$ 59	$ 3,032	$ 2,772	$ 260	9 %

Vision Care Segment Revenue

The Vision Care segment revenue was $1,881 million and $1,745 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of $136 million, or 8%. The increase was driven by: (i) an increase in volumes of $99 million, (ii) an increase in net pricing of $75 million and (iii) incremental sales attributable to acquisitions, driven by the acquisition of the Blink® Product Line in July 2023. The increases in volumes and pricing were primarily driven by higher

sales of Lumify®, PreserVision®, Artelac® and Biotrue® Multi-Purpose Solution in our consumer eye care business and SiHy Daily lenses and Ultra® within our contact lens business. These increases were partially offset by: (i) the unfavorable impact of foreign currencies of $48 million, primarily in Asia and Europe and (ii) the impact of divestitures and discontinuations of $2 million, driven by the discontinuation of certain products.

Our change in volumes for the nine months ended September 30, 2023 within our contact lens business was unfavorably impacted by unfulfilled orders at our Lynchburg distribution facility. During the second quarter of 2023, we put into place a system upgrade; however, we incurred disruptions during the implementation of this upgrade, which resulted in the slower than normal processing of certain orders, thereby negatively impacting our revenues for the nine months ended September 30, 2023. We expect to substantially resolve the Lynchburg implementation disruptions, and optimize the system upgrade, during the first quarter of 2024.

Pharmaceuticals Segment Revenue

The Pharmaceuticals segment revenue was $529 million and $497 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of $32 million, or 6%. The increase was driven by: (i) an increase in volumes of $37 million, primarily driven by opportunities from competitor supply issues within our generics business and increased demand for Vyzulta®, primarily related to certain international launches and (ii) an increase in net realized pricing of $2 million. These increases were partially offset by the unfavorable impact of foreign currencies of $7 million, primarily in Asia.

Surgical Segment Revenue

The Surgical segment revenue was $563 million and $530 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of $33 million, or 6%. The increase was driven by: (i) an increase in volumes of $31 million, primarily due to increased demand of consumables and equipment, (ii) an increase in net realized pricing of $4 million, primarily driven by strategic pricing increases taken in January 2023 across certain products and (iii) incremental sales attributable to acquisitions of $7 million. These increases were partially offset by: (i) the unfavorable effect of foreign currencies of $4 million, primarily in Asia, and (ii) the impact of divestitures and discontinuations of $5 million, related to the discontinuation of certain products.

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, 2023 and 2022 were as follows:

	Nine Months Ended September 30,			
	2023		2022	
(in millions)	Amount	Pct.	Amount	Pct.
Gross product sales	$ 4,128	100.0 %	$ 3,802	100.0 %
Provisions to reduce gross product sales to net product sales				
Discounts and allowances	272	6.60 %	245	6.40 %
Returns	58	1.40 %	52	1.40 %
Rebates	415	10.10 %	403	10.60 %
Chargebacks	402	9.70 %	330	8.70 %
Distribution fees	18	0.40 %	17	0.40 %
Total provisions	1,165	28.20 %	1,047	27.50 %
Net product sales	2,963	71.80 %	2,755	72.50 %
Other revenues	10		17	
Revenues	$ 2,973		$ 2,772	

Cash discounts and allowances, returns, rebates, chargebacks and distribution fees as a percentage of gross product sales were 28.20% and 27.50% for the nine months ended September 30, 2023 and 2022, respectively, an increase of 0.7% percentage points, and is primarily attributable to the increase in chargebacks as a percentage of revenues. Chargebacks were $402 million and $330 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of $72 million. The increase in chargebacks is primarily attributable to our generics portfolio as a result of changes in product and customer mix, as well as growth in volume.

Operating Expenses

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

Cost of goods sold was $1,179 million and $1,093 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of $86 million, or 8%. The increase was primarily driven by: (i) higher volumes, (ii) inflationary pressures, (iii) supply shortages resulting in increased costs, most notably in our Surgical products (iv) higher manufacturing efficiency ramp-up costs of our Daily SiHy lenses during the first half of 2023 and (v) costs of sales associated with acquisitions entered into in the current year. These increases were partially offset by the favorable impact of foreign currencies.

Contribution (product sales revenue less cost of goods sold, exclusive of amortization and impairments of intangible assets) increased by $122 million, primarily driven by: (i) the increase in net realized pricing and volumes, as previously discussed and (ii) contribution associated with acquisitions entered into in the current year, partially offset by: (i) the increase in cost of goods sold due to inflation and supply shortages, (ii) the Lynchburg system implementation disruptions (as further described above) and (iii) the unfavorable impact of foreign currencies.

Cost of goods sold as a percentage of Product sales was 39.8% and 39.7% for the nine months ended September 30, 2023 and 2022, respectively, an increase of 0.1%, primarily attributable to inflation, supply shortages, the Lynchburg system implementation disruptions (as further described above), higher manufacturing efficiency ramp-up costs of our Daily SiHy lenses during the first half of 2023 and the unfavorable impact of foreign currencies.

Selling, General and Administrative Expenses

SG&A expenses were $1,253 million and $1,092 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of $161 million, or 15%. The increase was primarily attributable to: (i) higher compensation expenses, primarily related to dis-synergy costs associated with the Company becoming a stand-alone entity, (ii) higher professional fees, primarily related to Business Transformation Costs, (iii) higher advertising and promotion expenses due to product launches, including the launch of MIEBO™ and (iv) higher selling expense due to warehousing and distribution costs, mostly driven by inflation. These increases in SG&A expenses were partially offset by the favorable impact of foreign currencies.

Research and Development Expenses

R&D expenses were $244 million and $229 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of $15 million, or 7%, primarily due to certain products in development, as previously discussed.

Amortization of Intangible Assets

Amortization of Intangible assets was $160 million and $188 million for the nine months ended September 30, 2023 and 2022, respectively, a decrease of $28 million, or 15%, primarily due to fully amortized intangible assets no longer being amortized in 2023.

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, 2023 and 2022 consists of the following:

	Nine Months Ended September 30,	
(in millions)	**2023**	**2022**
Asset impairments	$ —	$ 1
Restructuring, integration and separation costs	33	11
Litigation and other matters	2	—
Acquired in-process research and development costs	—	1
Acquisition-related costs	19	—
Acquisition-related contingent consideration	—	(5)
Other expense, net	$ 54	$ 8

Operating Income

Operating income for the nine months ended September 30, 2023 and 2022 was $81 million and $156 million, respectively, a decrease of $75 million, or 48%, and primarily reflects the increase in SG&A and Other expense, partially offset by the increase in contribution, each as previously discussed.

Segment Profit

The following table 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, 2023 and 2022.

	2023		2022		Change	
(in millions)	**Amount**	**Pct.**	**Amount**	**Pct.**	**Amount**	**Pct.**
Segment Profits / Segment Profit Margins						
Vision Care	$ 503	27 %	$ 471	27 %	$ 32	7 %
Pharmaceuticals	167	32 %	142	29 %	25	18 %
Surgical	29	5 %	35	7 %	(6)	(17)%

Vision Care Segment Profit

The Vision Care segment profit was $503 million and $471 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of $32 million, or 7%. The increase was primarily driven by the increase in contribution, driven by the increase in revenues, as previously discussed, partially offset by increased cost of goods sold, driven by inflationary pressures and higher manufacturing efficiency ramp-up costs of our Daily SiHy lenses during the first half of 2023. This increase in contribution was partially offset by higher selling expenses across each of our businesses, primarily attributable to increased distribution costs.

Pharmaceuticals Segment Profit

The Pharmaceuticals segment profit was $167 million and $142 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of $25 million, or 18%. The increase was primarily driven by increased contribution, mostly driven by the increase in volume, as previously discussed. This increase was partially offset by higher advertising and promotional expenses, primarily as a result of increased spend related to the launch of MIEBO™.

Surgical Segment Profit

The Surgical segment profit was $29 million and $35 million for the nine months ended September 30, 2023 and 2022, respectively, a decrease of $6 million, or 17%. The decrease was primarily driven by higher selling and G&A expenses, primarily driven by higher warehousing and distribution costs, employee headcount and compensation costs, partially offset by the increase in revenues, as previously discussed.

Non-Operating Income and Expense

Interest Expense

Interest expense was $184 million and $99 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of $85 million. The increase was primarily attributable to: (i) increased interest expense associated with the May 2027 Term Facility (as defined and discussed in further detail, under Item "— Liquidity and Capital Resources — Liquidity and Debt — Long-term Debt"), (ii) certain upfront financing commitment costs and (iii) interest expense related to the outstanding balance under our Revolving Credit Facility (as defined and discussed in further detail, under Item "— Liquidity and Capital Resources — Liquidity and Debt — Long-term Debt"). See Note 10, "FINANCING ARRANGEMENTS" to our unaudited interim Condensed Consolidated Financial Statements for further details regarding the May 2027 Term Facility and the Revolving Credit Facility. For the nine months ended September 30, 2022 interest expense included $47 million of interest attributed to the BHC Purchase Debt (as defined below).

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 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 loss of $18 million and a net gain of $15 million for the nine months ended September 30, 2023 and 2022, respectively.

Income Taxes

Provision for income taxes was $88 million and $60 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of $28 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) the valuation allowance established in Canada, (b) the changes in uncertain tax positions, (c) the reduction of certain tax attributes (d) the filings of certain tax returns and (e) a change in the deduction for stock compensation.

See Note 15, "INCOME TAXES" to our unaudited interim Condensed Consolidated Financial Statements for further details.

Net (loss) income attributable to Bausch + Lomb Corporation

Net loss attributable to Bausch + Lomb Corporation for the nine months ended September 30, 2023 was $206 million, as compared to Net income attributable to Bausch + Lomb Corporation for the nine months ended September 30, 2022 of $7 million, a decrease in our results of $213 million, and was primarily due to: (i) an increase in interest expense of $85 million, (ii) the decrease in our operating results of $75 million, (iii) the unfavorable net change in Foreign exchange and other of $33 million and (iv) the increase in the Provision for income taxes of $28 million, each as previously discussed.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	Nine Months Ended September 30,		
(in millions)	2023	2022	Change
Net cash (used in) provided by operating activities	$ (32)	$ 186	$ (218)
Net cash used in investing activities	(1,974)	(125)	(1,849)
Net cash provided by financing activities	1,992	88	1,904
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(6)	(29)	23
Net (decrease) increase in cash and cash equivalents and restricted cash	(20)	120	(140)
Cash and cash equivalents and restricted cash, beginning of period	380	177	203
Cash and cash equivalents and restricted cash, end of period	$ 360	$ 297	$ 63

Operating Activities

Net cash used in operating activities was $32 million for the nine months ended September 30, 2023, as compared to net cash provided by operating activities of $186 million for the nine months ended September 30, 2022, a decrease of $218 million. The decrease is primarily attributable to: (i) costs incurred in 2023 as a stand-alone entity, such as higher SG&A expense and increased interest payments, each as previously discussed and (ii) the change in our operating assets and

liabilities, due to: (a) a strategic increase in inventories, (b) the timing of payments in the ordinary course of business and (c) growth in sales volumes, as previously discussed, which drove an increase in our trade receivables.

Investing Activities

Net cash used in investing activities was $1,974 million and $125 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of $1,849 million and was primarily driven by payments related to acquisitions during the nine months ended September 30, 2023 of $1,887 million related to the XIIDRA Acquisition, the acquisition of the Blink® Product Line and the acquisition of AcuFocus, each as previously discussed.

Financing Activities

Net cash provided by financing activities was $1,992 million and $88 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of $1,904 million. The increase is primarily attributable to the issuance of long-term debt, net of $2,180 million, related to the September 2028 Term Facility, the October 2028 Secured Notes and borrowings under the Revolving Credit Facility (each as defined below), during the nine months ended September 30, 2023.

During the nine months ended September 30, 2022, Net cash provided by financing activities was driven by the issuance of long-term debt, net of $2,440 million, related to the issuance of the May 2027 Term Facility (defined below), which was partially offset by intercompany transactions between Bausch + Lomb and our parent company, BHC, including Net transfers to BHC of $2,363 million. 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 needed from our Revolving Credit Facility (as defined below), and issuances of other long-term debt, additional equity and equity-linked securities. 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 on reasonable terms or at all.

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 (as defined below) 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 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"). Prior to the September 2023 Credit Facility Amendment (as defined below), the Credit Agreement provided for a term loan of $2,500 million with a five-year term to maturity (the "May 2027 Term Facility") and a five-year revolving credit facility of $500 million (the "Revolving Credit Facility").

On September 29, 2023, Bausch + Lomb entered into an incremental term loan facility secured on a pari passu basis with the Company's existing May 2027 Term Facility. This incremental term loan facility was entered into in the form of an incremental amendment (the "September 2023 Credit Facility Amendment") to the Company's existing Credit Agreement (the Credit Agreement, as amended by the September 2023 Credit Facility Amendment, the "Amended Credit Agreement") and consisted of borrowings of $500 million in new term B loans with a five-year term to maturity (the "September 2028 Term Facility" and, together with the May 2027 Term Facility and the Revolving Credit Facility, the "Senior Secured Credit Facilities"). A portion of the proceeds from the September 2028 Term Facility and October 2028 Secured Notes (as defined below) were used to finance the $1,750 million upfront payment related to the XIIDRA Acquisition and related acquisition and financing costs.

The Senior Secured 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 May 2027 Term Facility and September 2028 Term Facility are denominated in U.S. dollars, and borrowings under the Revolving Credit Facility may be made available in U.S. dollars, euros, pounds sterling and Canadian dollars. As of September 30, 2023, the principal amount outstanding under the May 2027 Term Facility and September 2028 Term Facility were $2,469 million and $500 million, respectively. As of September 30, 2023, the Company had $175 million of outstanding borrowings, $25 million of issued and outstanding letters of credit and remaining availability, subject to certain customary conditions of $300 million under its Revolving Credit Facility.

Prior to November 29, 2022, Bausch + Lomb was a restricted subsidiary under the credit agreement of BHC (the "BHC Credit Agreement") and the senior notes indentures of BHC and Bausch Health Americas, Inc. (collectively the "BHC Indentures"), which meant that although neither we nor our subsidiaries were guarantors of BHC debt, our status as a restricted subsidiary meant that our ability to take certain actions, including the incurrence of debt, was restricted by the terms of the BHC Credit Agreement and BHC Indentures. On November 29, 2022, BHC designated Bausch + Lomb as an unrestricted subsidiary under the BHC Credit Agreement and the BHC Indentures. Following such designation, we are no longer restricted by the terms of the BHC Credit Agreement or BHC Indentures.

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 borrowings under the Revolving Credit Facility 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 Standard & Poor's ("S&P"), Moody's and Fitch and (y) the May 2027 Term Facility and September 2028 Term Facility have 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. The stated rate of interest for borrowings under the Revolving Credit Facility at September 30, 2023 ranges from 7.67% to 7.68% per annum. 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, thereafter, 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 May 2027 Term 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 borrowings under the May 2027 Term Facility are subject to a credit spread adjustment of 0.10%. The stated rate of interest under the May 2027 Term Facility at September 30, 2023 was 8.76% per annum.

Borrowings under the September 2028 Term 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 4.00%, or (ii) a U.S. dollar base rate, plus an applicable margin of 3.00% (provided, however, that the term SOFR-based rate shall be no less than 0.00% per annum at any time and the U.S. dollar base rate shall not be lower than 1.00% per annum at any time). Term SOFR-based borrowings under the September 2028 Term Facility are not subject to any credit spread adjustment. The stated rate of interest under the September 2028 Term Facility at September 30, 2023 was 9.32% per annum.

Subject to certain exceptions and customary baskets set forth in the Amended Credit Agreement, Bausch + Lomb is required to make mandatory prepayments of the loans under the May 2027 Term Facility and September 2028 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 May 2027 Term Facility is 1.00% per annum, or $25 million, payable in quarterly installments, and the first installment was paid on September 30, 2022. Bausch + Lomb may direct that prepayments be applied to such amortization payments in order of maturity. As of September 30, 2023, the remaining mandatory quarterly amortization payments for the May 2027 Term Facility were $88 million through March 2027, with the remaining term loan balance being due in May 2027.

The amortization rate for the September 2028 Term Facility is 1.00% per annum, or $5 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, 2023, the remaining mandatory quarterly amortization payments for the September 2028 Term Facility were $24 million through June 2028, with the remaining term loan balance being due in September 2028.

Description of Senior Secured Notes

On September 29, 2023, Bausch + Lomb issued $1,400 million aggregate principal amount of 8.375% Senior Secured Notes due October 2028 (the "October 2028 Secured Notes"). A portion of the proceeds from the October 2028 Secured Notes, along with the proceeds of September 2028 Term Facility, were used to finance the $1,750 million upfront payment related to the acquisition of XIIDRA® and certain other ophthalmology assets from Novartis and related acquisition-related transaction and financing costs. The October 2028 Secured Notes accrue interest at a rate of 8.375% per year, payable semi-annually in arrears on each April 1 and October 1, commencing on April 1, 2024.

The October 2028 Secured Notes are guaranteed by each of the Company's subsidiaries that is a guarantor under the Amended Credit Agreement (the "Note Guarantors"). The October 2028 Secured Notes and the guarantees related thereto are senior obligations and are secured, subject to permitted liens and certain other exceptions, by the same first priority liens that secure the Company's obligations under the Amended Credit Agreement under the terms of the indentures governing the October 2028 Secured Notes.

The October 2028 Secured Notes and the guarantees related thereto rank equally in right of repayment with all of the Company's and Note Guarantors' respective existing and future unsubordinated indebtedness and senior to the Company's and Note Guarantors' respective future subordinated indebtedness. The October 2028 Secured Notes and the guarantees related thereto are effectively pari passu with the Company's and the Note Guarantors' respective existing and future indebtedness secured by a first priority lien on the collateral securing the October 2028 Secured Notes and effectively senior to the Company's and the Note Guarantors' respective existing and future indebtedness that is unsecured, or that is secured by junior liens, in each case to the extent of the value of the collateral. In addition, the October 2028 Secured Notes are structurally subordinated to: (i) all liabilities of any of the Company's subsidiaries that do not guarantee the October 2028 Secured Notes and (ii) any of the Company's debt that is secured by assets that are not collateral.

Upon the occurrence of a change in control (as defined in the indenture governing the October 2028 Secured Notes), unless the Company has exercised its right to redeem all of the notes of a series, holders of the October 2028 Secured Notes may require the Company to repurchase such holders' notes, in whole or in part, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, but not including, the date of redemption.

The October 2028 Secured Notes are redeemable at the option of the Company, in whole or in part, at any time on or after October 1, 2025, at the redemption prices set forth in the indenture. Prior to October 1, 2025, the Company may redeem the October 2028 Secured Notes in whole or in part at a redemption price equal to the principal amount of the Notes redeemed plus a make-whole premium. Prior to October 1, 2025, the Company may on any one or more occasions redeem up to 40% of the aggregate principal amount of the October 2028 Secured Notes at a redemption price of 108.375% of the principal amount thereof, redeemed plus accrued and unpaid interest to, but not including, the date of redemption with the proceeds of one of more equity offerings.

Weighted Average Stated Rate of Interest

The weighted average stated rate of interest for the Company's outstanding debt obligations as of September 30, 2023 and December 31, 2022 was 8.66% and 7.84%, respectively.

Credit Ratings

As of the date of this filing, November 1, 2023, 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	B-	B-	Positive
Fitch	B-	BB-	Rating Watch Evolving

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.

Upon full Separation, we expect to refinance the Bausch + Lomb debt, and to transition to a longer-term capital structure.

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 1, 2023, we expect our primary cash requirements for the period October 1, 2023 through December 31, 2023 to include:

- *Debt repayments and interest*—We expect to make interest payments of approximately $71 million and mandatory debt amortization payments of $8 million for the period October 1, 2023 through December 31, 2023 under our Senior Secured Credit Facilities 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, see Item 1A. Risk Factors—"Our indebtedness could adversely affect our business and our ability to meet our obligations" included in our Annual Report;
- *Capital expenditures*—We expect to make payments of approximately $75 million for property, plant and equipment for the period October 1, 2023 through December 31, 2023;
- *Milestones*—As previously discussed, we filed an NDA for MIEBO™ (formerly known as NOV03) with the FDA in June 2022. Following the drug's approval by the FDA in May 2023, we launched MIEBO™ in the U.S. in the third quarter of 2023, in connection with which we expect to make a payment of $45 million, under the terms of a December 2019 agreement with Novaliq GmbH; and
- *Benefit obligations*—We expect to make aggregate payments under our pension and postretirement obligations of $3 million for the period October 1, 2023 through December 31, 2023. See Note 11, “PENSION AND POSTRETIREMENT EMPLOYEE BENEFIT PLANS” to our audited Consolidated Financial Statements for the year ended December 31, 2022, included in our Annual Report.

Acquisition of AcuFocus, Inc.

As previously discussed, on January 17, 2023, the Company acquired AcuFocus, Inc. (“AcuFocus”) for an up-front purchase price of $35 million. During January 2023, the Company paid approximately $31 million of the up-front purchase price, with the remaining purchase price to be paid within 18 months following the transaction, less any amounts that are the subject of any indemnification claims. If certain future sales-based milestones relating to the AcuFocus business are achieved between the closing date of the acquisition and December 31, 2027, additional payments by the Company will become due in future years.

Costs of Separation

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

Cost Savings Programs

As a result of the completion of the B+L IPO, and as the Company prepares for post-Separation operations, the Company is launching certain initiatives that may result in certain changes to, and investment in, its organizational structure and operations. The Company refers to the charges related to these initiatives as "Business Transformation Costs". These costs are recorded in SG&A in the unaudited Condensed Consolidated Statements of Operations and include third-party advisory costs, as well as certain compensation-related costs associated with changes in the Company's executive officers, such as severance-related costs associated with the departure of the Company's former executives and the costs associated with the appointment of the Company's new executives.

Further, in connection with the Separation and certain transformation initiatives, 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. 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.

Future Litigation

In the ordinary course of business, we are involved in litigation, claims, government inquiries, investigations, charges and proceedings. See Note 17, "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 up-front fee to secure the agreement. See Note 21, "COMMITMENTS AND CONTINGENCIES" to our audited Consolidated Financial Statements for the year ended December 31, 2022, included in our Annual Report.

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, 2022 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 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. 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). 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. As of October 27, 2023, BHC directly or indirectly held 310,449,643 common shares of Bausch + Lomb, which represented approximately 88.5% of our issued and outstanding common shares.

At October 27, 2023, we had 350,855,769 issued and outstanding common shares. In addition, as of October 27, 2023, we had outstanding approximately 8,300,000 stock options and 5,500,000 restricted share units that each represent the right of a holder to receive one of Bausch + Lomb's common shares and 1,200,000 performance-based restricted share units that represent the right of a holder to receive a number of the Company's common shares up to a specified maximum. A maximum of 3,200,000 common shares could be issued upon vesting of the performance-based restricted share units outstanding.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are those policies and estimates that are most important and material to the preparation of our 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 audited Consolidated Financial Statements included in our Annual Report, and determined that there were no significant changes in our critical accounting policies and estimates during the nine months ended September 30, 2023.

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, business 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; our recently consummated acquisition of XIIDRA® and certain other ophthalmology assets; anticipated revenues for our products; expected R&D and marketing spend; our expected primary cash and working capital requirements for the remainder of 2023 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, as recently amended, (the "Amended Credit Agreement") and in the indenture governing our October 2028 Secured Notes (as defined below); 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 effect of current market conditions and recessionary pressures in one or more of our markets; the anticipated effect of macroeconomic factors, including inflation; the anticipated impact of the evolving COVID-19 pandemic; 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," "schedule," "continue," "will," "may," "can," "might," "could," "would," "should," "target," "potential," "opportunity," "designed," "create," "predict," "project," "timeline," "forecast," "outlook," "seek," "strive," "suggest," "prospective," "strategy," "indicative," "intend," "ongoing," "decrease" or "increase" and positive and negative variations thereof 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:

- *adverse economic conditions and other macroeconomic factors, including inflation, slower growth or a potential recession, which could adversely impact our revenues, expenses and resulting margins;*
- *the effect of current market conditions and recessionary pressures in one or more of our markets;*
- *the risks and uncertainties caused by or relating to the evolving COVID-19 pandemic, including the potential effects and economic and future impact of that pandemic (or any resurgence thereof) or another pandemic and the reaction to such pandemic (including as it relates to the reinstitution of any lockdowns or other restrictions);*
- *the challenges the Company faces following its 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, and 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 and other stakeholders;*

- *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 achievement of targeted debt leverage ratios, subject to receipt of applicable shareholder and other necessary approvals and other factors), 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, 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, the impact on the spinoff transaction (and the timing thereof) of 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), 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 structure of the spinoff transaction and related distribution, 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 or in the manner 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;*

- *pricing decisions that we have implemented or may in the future elect to implement at the direction of our pricing committees 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 Amended Credit Agreement, the indenture governing our October 2028 Secured Notes and other current or future debt agreements, 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 Amended Credit Agreement (the "Revolving Credit Facility") 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 risks and uncertainties relating to our recently-consummated acquisition of XIIDRA® and certain other ophthalmology assets (the "XIIDRA Acquisition"), including our ability to effectively and efficiently integrate the acquired XIIDRA® product, pipeline products, transferred sales force and other assets into our existing business, risks that such integration efforts will potentially divert the efforts and attention of management and other employees away from our ongoing business operations, the effect of the transaction on our ability to maintain relationships with customers, suppliers, and other business partners, risks relating to our increased levels of debt as a result of debt incurred to finance such acquisition and risks that we may not realize the expected benefits of the acquisition on a timely basis or at all;*

- *the possibility that the unaudited pro forma financial information included in this Form 10-Q may not necessarily be indicative of what the consolidated results of operations would have been had the XIIDRA Acquisition been completed on January 1, 2022 and may differ materially from the future results of operations of the combined company;*

- *the uncertainties associated with the acquisition and launch of new products, assets and businesses (including the recently-acquired XIIDRA® product and Blink® product line), 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, the failure to obtain required regulatory approvals, clearances or authorizations, 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 manage the transition to our new Chairman and Chief Executive Officer and other new executive officers, the success of such individuals in assuming their respective roles and the ability of such individuals to implement and achieve the strategies and goals of the Company as they develop;*

- *our ability to retain, motivate and recruit executives and other key employees;*

- *our ability to implement effective succession planning for our executives and other 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 implementation of the new U.S. federal corporate alternative minimum tax (the "CAMT") under the recently enacted Inflation Reduction Act (the "IRA") and any future guidance with respect to the interpretation and application of the CAMT, as well as the impact of the other changes made under the IRA;*

- *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;*
- *trade conflicts, including 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, the EU and other countries against governmental and other entities and individuals in or associated with Russia, Belarus and parts of Ukraine, including potential impact on sales, earnings, market conditions and the ability of the Company to manage resources and historical investment in Russia;*
- *the impact of the recent escalation in conflict in the Middle East, including attacks on Israel by Hamas and any related military conflict, including potential impact on our operations, sale of products and revenues in this region;*
- *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 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*

- *risks in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the U.S. Securities and Exchange Commission ("SEC") and the Canadian Securities Administrators (the "CSA") on February 22, 2023, risks in Item 1A. "Risk Factors" of Part II of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023, filed on August 2, 2023 and risks detailed from time to time in our other filings with the SEC and the CSA, as well as our ability to anticipate and manage the risks associated with the foregoing.*

Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found in our Annual Report on Form 10-K for the year ended December 31, 2022, filed on February 22, 2023, under Item 1A. "Risk Factors", in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023, filed on August 2, 2023, under Item 1A. "Risk Factors" of Part II and in the Company's other filings with the SEC and the CSA. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These forward-looking statements speak only as of the date made. We undertake no obligation to update or revise any of these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect actual outcomes, except as required by law. We caution that, as it is not possible to predict or identify all relevant factors that may impact forward-looking statements, the foregoing list of important factors that may affect future results is not exhaustive and should not be considered a complete statement of all potential risks and uncertainties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Other than as indicated below under "— Interest Rate Risk", there have been no material changes to the Company's assessment of its sensitivity to market risks that affect the disclosures presented in the section entitled "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" of our Annual Report.

Interest Rate Risk

As of September 30, 2023, we had $3,144 million and $1,400 million in outstanding aggregate principal amount of issued variable rate and fixed rate debt, respectively. 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 $31 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. The estimated fair value of our issued fixed rate debt as of September 30, 2023 was $1,404 million. If interest rates were to increase by 100 basis-points, the fair value of our issued fixed rate debt would decrease by approximately $54 million. If interest rates were to decrease by 100 basis-points, the fair value of our issued fixed rate debt would increase by approximately $51 million.

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, 2023. Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of September 30, 2023.

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, 2023 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.