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," "the Company," and similar terms refer to Bausch Health Companies Inc. and its subsidiaries. This "Management's Discussion and Analysis of Financial Condition and Results of Operations" has been updated through August 9, 2022 and should be read in conjunction with the unaudited interim Consolidated Financial Statements and the related notes (the "Financial Statements") included elsewhere in this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 (this "Form 10-Q"). The matters discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contain certain forward-looking statements within the meaning of Section 27A of The Securities Act of 1933, as amended, 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 Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations..

Our accompanying unaudited interim Consolidated Financial Statements as of June 30, 2022 and for the three and six months ended June 30, 2022 and 2021 have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the rules and regulations of the United States Securities and Exchange Commission (the "SEC") for interim financial statements, and should be read in conjunction with our Consolidated Financial Statements for the year ended December 31, 2021, which were included in our Annual Report on Form 10-K filed on February 23, 2022. In our opinion, the unaudited interim Consolidated Financial Statements reflect all adjustments, consisting of normal and recurring adjustments, necessary for a fair statement of the financial condition, results of operations and cash flows for the periods indicated. Additional company information is available on SEDAR at www.sedar.com and on the SEC website at www.sec.gov. All currency amounts are expressed in U.S. dollars, unless otherwise noted. Certain defined terms used herein have the meaning ascribed to them in the Financial Statements.

OVERVIEW

We are a global company whose mission is to improve people's lives with our health care products. We develop, manufacture and market, primarily in the therapeutic areas of gastroenterology ("GI") and dermatology, and eye health, a broad range of: (i) branded pharmaceuticals, (ii) generic and branded generic pharmaceuticals, (iii) over-the-counter ("OTC") products and (iv) medical devices (contact lenses, intraocular lenses, ophthalmic surgical equipment and aesthetics devices), which are marketed directly or indirectly in approximately 100 countries.

Our portfolio of products falls into five operating and reportable segments: (i) Salix, (ii) International (formerly International Rx), (iii) Diversified Products, (iv) Solta Medical and (v) Bausch + Lomb. These segments are discussed in detail in Note 19, "SEGMENT INFORMATION" to our unaudited Consolidated Financial Statements. The following is a brief description of the Company's segments:

- ***The Salix segment*** consists of sales in the U.S. of GI products. Sales of the Xifaxan® product line represented 81% and 80% of the Salix segment's revenues for the three and six months ended June 30, 2022, respectively.
- ***The International segment*** consists of sales, with the exception of sales of Bausch + Lomb products and Solta aesthetic medical devices, outside the U.S. and Puerto Rico of branded pharmaceutical products, branded generic pharmaceutical products and OTC products.
- ***The Diversified Products segment*** consists of sales in the U.S. of: (i) pharmaceutical products in the areas of neurology and certain other therapeutic classes, (ii) generic products, (iii) Ortho Dermatologics (dermatological) products and (iv) dentistry products.
- ***The Solta Medical segment*** consists of global sales of Solta aesthetic medical devices.
- ***The Bausch + Lomb segment*** consists of global sales of Bausch + Lomb Vision Care, Surgical and Ophthalmic Pharmaceuticals products.

During the first quarter of 2022, the Company changed its segment structure. The new segment structure resulted in a change to the Company's former Ortho Dermatologics segment whereby its medical dermatology business (Ortho Dermatologics) is now managed by the Chief Operating Decision Maker ("CODM") as part of the Diversified Products segment and the Solta Medical business is now managed by the CODM as its own operating and reportable segment. Prior period presentation of segment revenues and segment profits has been recast to conform to the current reporting structure.

Our Focus on Value

In 2016, we implemented a multi-year plan designed to transform and bring out value in our Company. The multi-year plan increased our focus on, among other factors, our: product portfolio, infrastructure, geographic footprint, capital structure and risk management. Since that time, we have been executing and continue to execute on our commitments to transform the Company and generate value. As discussed below, under the multi-year plan, we have taken actions that among other things included: (i) divesting non-core assets, (ii) making strategic investments in our core businesses and (iii) making measurable progress in improving our capital structure. These measures gave us operating flexibility and put us in a strong position to unlock the additional value to be found in our specific businesses. We believe that these and other actions we have taken to transform our Company, have helped to focus our operations, and improve our capital structure. These positive actions also presented us with an opportunity to unlock potential value across our portfolio of assets by separating our pharmaceutical and eye health businesses. Although management believes the B+L Separation (as defined below) will bring out additional value, there can be no assurance that it will be successful in doing so.

Separation of the Bausch + Lomb Eye Health Business

On August 6, 2020, we announced our plan to separate our eye health business consisting of our Bausch + Lomb Global Vision Care (formerly Vision Care/Consumer Health), Global Surgical and Global Ophthalmic Pharmaceuticals businesses into an independent publicly traded entity, Bausch + Lomb from the remainder of Bausch Health Companies Inc. (the "B+L Separation"). In January 2022, we completed the internal organizational design and structure of the new eye health entity. The registration statement related to the B+L IPO was declared effective on May 5, 2022, and Bausch + Lomb's common stock began trading on the New York Stock Exchange and the Toronto Stock Exchange, in each case under the ticker symbol "BLCO" on May 6, 2022. Prior to the effectiveness of the registration statement, Bausch + Lomb was an indirect wholly-owned subsidiary of the Company.

On May 10, 2022, a wholly owned subsidiary of the Company (the "Selling Shareholder") sold 35,000,000 common shares of Bausch + Lomb, at an offering price of $18.00 per share, pursuant to the B+L IPO. 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 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 applicable underwriting discount). The remainder of the over-allotment option granted to the underwriters expired.

Upon the closing of the B+L IPO and after giving effect to the partial exercise of the over-allotment option, the Company directly or indirectly holds 310,449,643 Bausch + Lomb common shares, which represents approximately 88.7% of Bausch + Lomb's outstanding common shares. The aggregate net proceeds from the B+L IPO and the partial exercise of the over-allotment option by the underwriters, after deducting underwriting commissions were approximately $675 million. The Company remains committed to completing the B+L Separation as soon as is practical and believes the B+L Separation makes strategic sense. The completion of the B+L Separation is subject to the expiry of customary lockups related to the B+L IPO, the achievement of targeted debt leverage ratios and the receipt of applicable shareholder and other necessary approvals. The Company continues to evaluate the factors and considerations related to completing the B+L Separation and the effect of the Norwich Legal Decision (see "Xifaxan® Paragraph IV Proceedings" of Note 18, "LEGAL PROCEEDINGS" to our unaudited interim Consolidated Financial Statements) on the B+L Separation.

The B+L Separation will establish two separate, independent companies:

- **Bausch + Lomb** - a fully integrated, "pure play" eye health company built on the iconic Bausch + Lomb brand and long history of innovation; and
- **Bausch Pharma** - a diversified pharmaceutical company with leading positions in gastroenterology, hepatology, dermatology, neurology and international pharmaceuticals, and aesthetic medical devices. The remaining pharmaceutical entity will comprise a diversified portfolio of our leading durable brands across the Salix, International, dentistry, neurology, medical dermatology and generics, and aesthetic medical devices businesses.

We believe the B+L Separation will result in two highly attractive but dissimilar businesses. As independent entities, management believes that each company will be better positioned to individually focus on its core businesses to drive additional growth, more effectively allocate capital and better manage its respective capital needs. Further, the B+L Separation will allow us and the market to compare the operating results of each entity with other "pure play" peer companies. Although management believes the B+L Separation will bring out additional value, there can be no assurance that it will be successful in doing so.

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

As discussed in further detail below, the proceeds from the B+L IPO, along with those from the offering of the February 2027 Secured Notes, the B+L Debt Financing and the 2027 Term Loans (each as defined below), along with cash on hand, were used to repay and refinance a portion of our existing debt. In addition, we intend to use the proceeds from any potential future offers of Bausch + Lomb common shares to further repay, to the extent possible, a portion of our existing debt, thereby improving our capitalization and leverage. We believe the B+L Separation, if consummated, provides us with an attractive opportunity for liquidity to support the appropriate capitalization and leverage of the Bausch + Lomb entity and the remainder of Bausch Health Companies Inc., which we refer to as "Bausch Pharma" and which will assume a new name upon completion of the B+L Separation. However, management will also continue to explore additional alternatives in order to properly capitalize the two entities.

We have previously stated that all options for achieving the appropriate capitalization and leverage for these entities post-separation were being considered. Management remains focused on the capitalizations of the post-separation entities and has considered and continues to consider alternative means of achieving this, including dispositions from our existing business that we believe represent attractive opportunities for the Company and are in line with our plan of separation. This informed our decision to divest Amoun Pharmaceutical Company S.A.E. ("Amoun") on July 26, 2021 and, as discussed below, use the net proceeds to repay certain debt obligations.

In addition to the capitalization and leverage ratios of each entity, there are considerations, approvals and conditions, including market conditions, that will determine the ultimate timing and structure of the B+L Separation, including regulatory approvals, final approval by our board of directors, any shareholder vote requirements that may be applicable, compliance with U.S. and Canadian securities laws and stock exchange rules, receipt of any applicable opinions and/or rulings with respect to the Canadian and U.S. federal income tax treatment of the B+L Separation and determination of the pro forma capitalization of each of the two entities post separation. The failure to satisfy all of the required conditions could delay the completion of the B+L Separation for a significant period of time or prevent it from occurring at all. We will need to complete a number of additional steps that will depend on the ultimate structure of the transactions (in addition to obtaining the regulatory approvals and satisfying the conditions described above) before we can complete the B+L Separation. As a result, there can be no assurance as to the timing of the completion of the B+L Separation or its structure or terms, and the information in this Form 10-Q relating to each transaction is preliminary and may change as the transactions progress and any such changes and their impact on the Company, or any of the companies that result from the consummation of the B+L Separation, may be material.

Solta Medical

On June 16, 2022, the Company announced it was suspending its previously announced plans to pursue an IPO of our Solta aesthetic medical device business ("Solta Medical") (the "Solta IPO"). By the end of 2021, we had substantially completed the internal objectives necessary to facilitate the Solta IPO, however, we believe that the interests of the Company and its stakeholders, including shareholders and creditors, are best served in the near-term by focusing on driving Solta's revenue, profitability and cash flow while also achieving key operational and regulatory milestones, and as such, Solta will remain as part of Bausch Health and continue to contribute to the Company's performance, including the deleveraging of the Company's balance sheet. The Company will revisit alternative paths for Solta in the future.

See Item 1A. "Risk Factors — Risk Relating to the B+L Separation and the Solta IPO" of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC and the CSA on February 23, 2022, for additional risks relating to the B+L Separation and the formerly planned Solta IPO.

Setting Up Our Company to Unlock Value

To position ourselves to unlock the value we see in our individual businesses, we have sought to right-size our portfolio of assets and provide financial flexibility. The Company has focused on the following growth drivers, that remain a focus of our growth strategies today:

- on May 10, 2022 in connection with the B+L IPO, the Company completed a series of transactions in which among other things: (i) Bausch + Lomb entered into a new credit facility, (ii) the Company repaid certain amounts outstanding under its existing term B loans, (iii) the Company refinanced the remaining amounts outstanding under its then existing credit facilities and (iv) the Company discharged the indenture governing its 6.125% Senior Unsecured Notes (as defined and described in the table in Note 10, "FINANCING ARRANGEMENTS," to our

unaudited Consolidated Financial Statements) due 2025 (the "April 2025 Unsecured Notes" and the related indenture the "April 2025 Unsecured Notes Indenture"). We believe these transactions bring us one step closer to meeting our commitment to properly capitalize the two entities post-separation while improving our overall capitalization and leverage. These actions are discussed in more detail below in "— Liquidity and Capital Resources — Liquidity and Debt — Long-term Debt";

- divested non-core assets in order to narrow the Company's activities to our core businesses where we believe we have an existing and sustainable competitive edge and the ability to generate operational efficiencies. To date, we received approximately $4,100 million in net proceeds from these divestitures, which includes the sale of Amoun as discussed below, on July 26, 2021;
- made strategic investments in our core businesses in order to support recent revenue growth and prepare for additional growth opportunities we plan to capitalize on for our core businesses;
- made measurable progress in improving our capital structure as we have repaid approximately $10,600 million in long-term debt obligations (net of additional borrowings, amounts refinanced and excluding the $1,210 million financing of the U.S. Securities Litigation settlement discussed below) during the period of January 1, 2016 through June 30, 2022, using the proceeds from the divestiture of non-core assets, proceeds from the B+L IPO, cash on hand, and cash from operations, including from a focus on working capital management; and
- resolved many of the Company's legacy litigation matters originating back to 2015 and prior, including the most significant legacy legal matter, the U.S. Securities Litigation settlement, significantly reducing related possible disruptions and other uncertainties to our operations.

We believe that these and other actions we have taken to transform our Company, have helped focus our operations, unlocked value across our product portfolios, improved our capital structure and mitigated certain risks associated with legacy litigation matters. We believe that these measures, along with our continued commitment to improving people's lives through our health products, help position us to unlock potential value across our portfolio of assets by separating our eye health and pharmaceutical businesses. Although management believes the B+L Separation will unlock additional value, there can be no assurance that it will be successful in doing so.

Divest Assets to Improve Our Capital Structure and Simplify Our Business

In order to better focus on our core businesses, we continue to evaluate opportunities to simplify our operations and improve our capital structure, including dispositions of various assets. For example, on July 26, 2021, we completed the sale of Amoun for total gross consideration of approximately $740 million, subject to certain adjustments (the "Amoun Sale"). Amoun manufactures, markets and distributes branded generics of human and animal health products. The Amoun business was part of the International segment (previously included within the former Bausch + Lomb/International segment). Revenues associated with Amoun were $137 million for the six months ended June 30, 2021 and $157 million for the period of January 1, 2021 through July 26, 2021. On July 30, 2021 and August 3, 2021, the Company made aggregate payments of $600 million, to repay $469 million of its June 2025 Term Loan B Facility and $131 million of its November 2025 Term Loan B Facility" (each as defined below), using the proceeds from the Amoun Sale and cash on hand.

We will continue to consider further dispositions of various assets in line with this strategy. While we anticipate that any future divestiture activities will be on non-core assets, we will consider dispositions in core areas that we believe represent attractive opportunities for the Company. See Note 4, "LICENSING AGREEMENTS AND DIVESTITURE" to our unaudited interim Consolidated Financial Statements for additional information.

Focus on Core Businesses

In line with this focus on our core businesses we have: (i) directed capital allocation to drive growth within these core businesses, (ii) made measurable progress in effectively managing our capital structure, (iii) increased our efforts to improve patient access and (iv) continued to invest in sustainable growth drivers to position us for long-term growth.

Direct Capital Allocation to Drive Growth Within Our Core Businesses

Our capital allocation is driven by our long-term growth strategies. We have been aggressively allocating resources to our core businesses globally through: (i) R&D investment, (ii) strategic licensing agreements and (iii) strategic investments in our infrastructure. The outcome of this process allows us to better drive value in our product portfolio and generate operational efficiencies.

R&D Investment

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

Our internal R&D organization focuses on the development of products through clinical trials. As of December 31, 2021, approximately 1,300 dedicated R&D and quality assurance employees in 25 R&D facilities were involved in our R&D efforts internally.

As of June 30, 2022, we have approximately 160 projects in our global pipeline. Certain core internal R&D projects that have received a significant portion of our R&D investment in current and prior periods are listed below.

Gastrointestinal

- Rifaximin - Top line results from a Phase 2 study for the treatment of overt hepatic encephalopathy with a new formulation (SSD IR) of rifaximin showed a treatment benefit. Patients receiving 40 mg twice daily showed a statistically significant separation from placebo. The top line results from this Phase 2 study will help inform further research on potential new indications for rifaximin. A Phase 3 study has commenced (RED-C) with patients actively enrolling for the prevention of the first episode of Overt Hepatic Encephalopathy.

- Rifaximin - Rifaximin recently received orphan drug designation for sickle cell disease. A phase 2 study with novel dosage formulation is currently enrolling patients for the treatment of sickle cell disease.

- Rifaximin - Development of a fit for purpose Patient Reported Outcomes tool for small intestinal bacterial overgrowth, or "SIBO", is continuing in 2022.

- Rifaximin - We have entered into an agreement with Cedars Sinai Medical Center to evaluate a new formulation of rifaximin for the treatment of IBS-D. Two preclinical studies have been completed. A Proof of Concept study, that was paused due to COVID-19 pandemic related factors, has recommenced and is fully enrolled. Based on recent FDA comments dated February 10, 2022, the program is being assessed and related timelines reviewed.

- Envive™ - In October 2020, we launched, on a limited basis, a probiotic supplement that was developed to address gastrointestinal disturbances. In April 2021, we expanded the launch to additional territories in the U.S.

- Amiselimod (S1P modulator) - We commenced a Phase 2 study during the first half of 2021 to evaluate Amiselimod (S1P modulator) for the treatment of mild to moderate ulcerative colitis.

Dermatology

- Arazlo® (tazarotene) Lotion, 0.045% - In June 2020, we launched this acne product containing lower concentration of tazarotene in a lotion form to help reduce irritation while maintaining efficacy.

- Internal Development Project ("IDP") 120 - An acne product with a fixed combination of mutually incompatible ingredients: benzoyl peroxide and tretinoin. Phase 3 clinical studies have been completed and met the primary endpoints. We are currently evaluating next steps for this project.

- IDP-126 - An acne product with a fixed combination of benzoyl peroxide, clindamycin phosphate and adapalene. Phase 3 clinical studies initiated in December 2019 were paused due to COVID-19 pandemic related factors, but resumed in June 2020. Both Phase 3 studies have been completed and have met their primary endpoints. A comparative bridging safety and efficacy study was delayed until 2021 due to COVID-19. The bridging study has completed enrollment in July 2022. We anticipate filing a New Drug Application ("NDA") in the fourth quarter of 2022.

Solta Medical

- Clear + Brilliant® *Touch* - Next generation Clear + Brilliant® laser that is designed to deliver a customized and more comprehensive treatment protocol by providing patients of all ages and skin types the benefits of two wavelengths. This product was launched in the U.S. in March 2021.

Bausch + Lomb

- SiHy Daily - A silicone hydrogel daily disposable contact lens designed to provide clear vision throughout the day. In September 2018, we launched SiHy Daily in Japan under the branded name AQUALOX™ ONE DAY. In August 2020, we launched SiHy Daily in the U.S. under the branded name Bausch + Lomb INFUSE® SiHy Daily Disposable contact lens. In the fourth quarter of 2020, SiHy Daily was launched in Australia, Hong Kong and

Canada under the branded name Bausch + Lomb Ultra® ONE DAY. SiHy Daily has also received regulatory approval in China, New Zealand, Japan, South Korea, Europe, Singapore and Malaysia, where it will be branded as Bausch + Lomb Ultra® ONE DAY, and in the second quarter of 2021, we launched SiHy Daily in South Korea and Singapore as Bausch + Lomb Ultra® ONE DAY.

- LUMIFY® (brimonidine tartrate ophthalmic solution, 0.025%) - An OTC eye drop developed as an ocular redness reliever. We launched this product in the U.S. in May 2018 and received Canadian approval in May 2022. Currently, we have several new line formulations under development. The first Phase 3 study in support of these line extensions has initiated. Additional studies are expected to commence in the second half of 2022.

- Biotrue® ONEday for Astigmatism - A daily disposable contact lens for astigmatic patients. The Biotrue® ONEday contact lens incorporates Surface Active Technology™ to provide a dehydration barrier. The Biotrue® ONEday for Astigmatism also includes evolved peri-ballast geometry to deliver stability and comfort for the astigmatic patient. We launched this product in December 2016 and launched an extended power range and further extended power ranges in each of the years 2017 through 2020. Biotrue® ONEday for Astigmatism has also received regulatory approval in China.

- New Ophthalmic Viscosurgical Device ("OVD") product - A formulation to protect corneal endothelium during phacoemulsification process during a cataract surgery and to help chamber maintenance and lubrication during IOL delivery. A clinical study report was completed for the cohesive OVD product (StableVisc™) during the second quarter of 2022. FDA approval is expected in the fourth quarter of 2022 and launch is expected in the first quarter of 2023. In addition, in March 2021, we received Premarket Approval from the FDA for Clearvisc™ dispersive OVD, which we launched in the U.S. in June 2021.

- Bausch + Lomb is expanding its portfolio of premium IOLs built on the enVista® platform with Monofocal Plus, EDOF and Trifocal optical designs for presbyopia correction. Bausch + Lomb expects that they will be commercialized together with a new preloaded inserter with two options: non-Toric, as well as Toric for astigmatism patients. Bausch + Lomb anticipates launching Monofocal Plus, Trifocal and EDOF optical designs for presbyopia in 2023, 2024 and 2025/2026, respectively.

- Bausch + Lomb ULTRA® monthly silicone hydrogel lens - Specifically designed to address the lifestyle and vision needs of patients with MoistureSeal® technology, which maintains 95% of contact lens moisture for a full 16 hours. In the second quarter of 2020, Bausch + Lomb ULTRA® received a seven day extended wear indication approval from the European Union and received regulatory approval from the National Medical Products Administration in China.

- Bausch + Lomb ULTRA® Multifocal for Astigmatism contact lens - The first and only multifocal toric lens available as a standard offering in the eye care professional's fit set. The new monthly silicone hydrogel lens, which was specifically designed to address the lifestyle and vision needs of patients with both astigmatism and presbyopia, combines the Company's unique 3-Zone Progressive™ multifocal design with the stability of its OpticAlign® toric with MoistureSeal® technology to provide eye care professionals and their patients an advanced contact lens technology that offers the convenience of same-day fitting during the initial lens exam. Bausch + Lomb ULTRA® Multifocal for Astigmatism was launched in June 2019 and received European Union regulatory approval in the second quarter of 2020. In July 2021, we launched an extended parameter range of this product.

- Renu® Advanced Multi-Purpose Solution ("MPS") - Contains a triple disinfectant system that kills 99.9% of germs tested, and has a dual surfactant system that provides up to 20 hours of moisture. Renu® Advanced MPS is FDA cleared with indications for use to condition, clean, remove protein, disinfect, rinse and store soft contact lenses including those composed of silicone hydrogels. Prior to 2022, Renu® Advanced MPS was launched in India, Mexico, Korea, Turkey and Greece and gained regulatory approvals in Indonesia, Malaysia, Singapore, the European Union, Belarus and China. In 2022, Renu® Advanced MPS was launched in Taiwan, Czech Republic, Israel, Poland and Slovakia. We anticipate launches in China, Taiwan, Argentina and the Latin America region during 2022 and launches in additional regions in 2023 and 2024.

- Zen™ Multifocal Scleral Lens for presbyopia - In January 2019, we launched this product in the U.S. exclusively available with Zenlens™ and Zen™ RC scleral lenses and will allow eye care professionals to fit presbyopic patients with regular and irregular corneas and those with ocular surface disease, such as dry eye. The Zen™ Multifocal Scleral Lens incorporates decentered optics, enabling the near power to be positioned over the visual axis.

- Tangible® Hydra-PEG® - A high-water polymer coating that is bonded to the surface of a contact lens and designed to address contact lens discomfort and dry eye. We launched this product in the U.S. in March 2019. Tangible® Hydra-PEG® coating technology in combination with our Boston® materials and Zenlens™ family of scleral lenses

will help eye care professionals provide a better lens wearing experience for their patients with challenging vision needs.

Strategic Licensing Agreements

To supplement our internal R&D initiatives and to build-out and refresh our product portfolio, we also search for opportunities to augment our pipeline through arrangements that allow us to gain access to unique products and investigational treatments, by strategically aligning ourselves with other innovative product solutions.

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

In October 2020, we announced that we had entered into two exclusive license agreements which present us with unique developmental opportunities to address the unmet need of treatment for myopia in children. The first of these two licensing agreements is with Eyenovia, Inc. for the development and commercialization in the United States and Canada of an investigational microdose formulation of atropine ophthalmic solution, which is being investigated for the reduction of pediatric myopia progression, also known as nearsightedness, in children ages 3-12. We expect to complete enrollment for a Phase 3 study during the first quarter of 2023. If approved by the FDA, we believe this investigational product could potentially change the treatment paradigm for the reduction of myopia progression in children. The second is an exclusive global licensing agreement with BHVI for a myopia control contact lens design developed by BHVI. The Company plans to pair BHVI's novel contact lens design with our leading contact lens technologies to develop potential contact lens treatments designed to slow the progression of myopia in children.

In December 2019, we announced that we had acquired an exclusive license from Novaliq GmbH for the commercialization and development in the U.S. and Canada of the investigational treatment NOV03 (perfluorohexyloctane), a first-in-class investigational drug with a novel mechanism of action to treat dry eye diseases ("DED") associated with Meibomian gland dysfunction ("MGD"). In an Open Label Safety study, NOV03 has achieved its enrollment target. In April 2021, we announced statistically significant topline data from the first of two Phase 3 studies and in September 2021, we announced statistically significant topline data from the second Phase 3 study. The NDA was filed in June 2022, and if approved, Bausch + Lomb anticipates launching in the U.S. in 2023. If approved by the FDA, we believe the addition of this investigational treatment for DED will help build upon Bausch + Lomb's strong portfolio of integrated eye health products.

In October 2019, we acquired an exclusive license from Clearside Biomedical, Inc. ("Clearside") for the commercialization and development of Xipere® (triamcinolone acetonide suprachoroidal injectable suspension) in the U.S. and Canada. Xipere® is a proprietary suspension of the corticosteroid triamcinolone acetonide formulated for suprachoroidal administration via Clearside's proprietary SCS Microinjector®. In October 2021, the FDA approved Xipere® for suprachoroidal use for the treatment of macular edema associated with uveitis. We launched Xipere® in the U.S. in the first quarter of 2022.

In April 2019, we entered into an exclusive licensing agreement with Mitsubishi Tanabe Pharma Corporation to develop and commercialize MT-1303 (amiselimod), a late-stage oral compound that targets the sphingosine 1-phosphate receptor that plays a role in autoimmune diseases, such as inflammatory bowel disease and ulcerative colitis. We have completed a thorough QTC study, which evaluated the cardiac safety profile of the compound. Topline results were positive and we commenced a Phase 2 study in the first half of 2021.

Strategic Investments in our Infrastructure

In support of our core businesses, we have 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, both of which support our Bausch + Lomb business.

To meet the forecasted demand for our Biotrue® ONEday range of contact lenses, in July 2017, we placed into service a $175 million multi-year strategic expansion project of the Waterford facility. The emphasis of the expansion project was to: (i) develop new technology to manufacture, automatically inspect and package contact lenses, (ii) bring that technology to full validation and (iii) increase the size of the Waterford facility.

To address the expected global demand for our Bausch + Lomb ULTRA® range of contact lenses, in December 2017, we completed a multi-year, $220 million strategic upgrade to our Rochester facility. The upgrade increased production capacity in support of our Bausch + Lomb Ultra® and SiHy Daily AQUALOX™ product lines and better supports the

production of other well-established contact lenses, such as our PureVision®, PureVision®2 (SVS, Toric, and Multifocal), SofLens® 38 and SilSoft®.

To address the expected global demand for our SiHy Daily disposable contact lenses, in November 2018, we initiated $300 million of additional expansion projects to add multiple production lines to our Rochester and Waterford facilities. The first phase of the production line installation program has been completed, and in the first half of 2022, we commenced commercial production of certain of our latest contact lenses, at both our Rochester and Waterford facilities. We expect to complete the expansion programs at our Rochester and Waterford facilities in the second half of 2022.

To further help us meet the anticipated demand of our contact lenses, in 2020, we initiated an expansion of the Company's Lynchburg distribution center. The new facility is expected to create new jobs over the next five years and expand the overall site to 200,000 square feet, which will provide distribution capabilities for medical devices, primarily contact lens products, and be the main point of distribution for these products in the U.S. This expansion program is expected to be completed in the second half of 2022.

In July 2021, we announced plans to invest an additional $90 million to increase capacity at our Waterford facility to meet the expected demand for our Biotrue® ONEday range of daily disposable contact lenses. The new production lines are expected to be completed in 2023. If completed as planned, the recently announced expansion of our Waterford facility will be the fifth major expansion of our Bausch + Lomb manufacturing facilities in support of our efforts to increase market share in the contact lens market in the seven years ending 2023.

We believe the investments in our Waterford, Rochester and Lynchburg facilities and related expansion of labor forces further demonstrates the growth potential we see in our Bausch + Lomb products and our eye health business.

Effectively Managing Our Capital Structure

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

Debt Repayments and Other Financing Transactions

In 2016, our executive team committed to improving our Company's capital structure and, since that time, we have been executing and continue to execute on that commitment. As a result of a series of debt repayments and transactions since making that commitment, the Company positioned itself to execute on the B+L IPO, while at the same time progressing toward providing the appropriate capitalization and leverage of these businesses to effect the B+L Separation.

During 2022, we continue to effectively manage our capital structure by: (i) executing on our plan for the B+L Separation, including the B+L IPO which completed its initial closing on May 10, 2022, (ii) reducing our debt through repayments, (iii) extending the maturities of debt through refinancing and (iv) focusing on our credit ratings. During the six months ended June 30, 2022, we have reduced the aggregate principal amount of our debt obligations by approximately $800 million as follows:

2022 Notes Issuance and Credit Agreement Refinancing - In 2022, we continued to take actions in support of our commitment to improve our liquidity and reduce our leverage. These actions included:

- On February 10, 2022, the Company issued $1,000 million aggregate principal amount of 6.125% Senior Secured Notes due February 2027 (the "February 2027 Secured Notes").
- On May 10, 2022:
  - As previously discussed, the Company completed the initial closing of the B+L IPO. The aggregate net proceeds from the B+L IPO and the partial exercise of the over-allotment option by the underwriters, after deducting underwriting commissions were approximately $675 million.
  - The Company entered into the 2022 Amended Credit Agreement as discussed in further detail below, under "— Liquidity and Capital Resources — Liquidity and Debt — Long-term Debt". The 2022 Amended Credit Agreement consists of new term loans of $2,500 million and a revolving credit facility of $975 million.
  - Bausch + Lomb entered into the B+L Credit Agreement as defined and discussed in further detail below under "— Liquidity and Capital Resources — Liquidity and Debt — Long-term Debt". The B+L Credit Agreement

provides for a five-year term loan facility in an initial principal amount of $2,500 million and also provides for a five-year revolving credit facility of $500 million.

The net proceeds from these transactions, along with cash on hand, allowed us to: (i) repay certain amounts outstanding under our then existing June 2025 Term Loan Facility and November 2025 Term Loan Facility, (ii) replace our existing revolving credit facility which was to have matured in 2023, with revolving credit facilities that mature in 2027, (iii) redeem in full all of our outstanding April 2025 Unsecured Notes and (iv) replace our then remaining amounts outstanding under our June 2025 Term Loan Facility and November 2025 Term Loan Facility with term loan facilities that expire in 2027.

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

The repayment of the (i) June 2025 Term Loan B Facility, (ii) November 2025 Term Loan B Facility, (iii) 2023 Revolving Credit Facility and (iv) redemption of April 2025 Senior Unsecured notes were accounted for as an extinguishment of debt and the Company incurred a loss on extinguishment of debt of $63 million representing the difference between the amount paid to settle the extinguished debt and the extinguished debt's carrying value. As a result of these transactions and the open market repurchases, the Company realized a net gain on early extinguishment of $113 million.

Debt Repayments

Excluding the impact of the $1,210 million financing of the U.S. Securities Litigation settlement (discussed in the subsequent section titled "Off-Balance Sheet Arrangements and Contractual Obligations") we have repaid (net of additional borrowings) approximately $10,600 million of long-term debt during the period January 1, 2016 through June 30, 2022 using the net cash proceeds from divestitures of non-core assets, the B+L IPO, cash on hand, cash from operations, including from our focus on working capital management.

We believe these transactions bring us closer to meeting our commitment to properly capitalize the two entities post-separation while improving our overall capitalization and leverage.

See Note 10, "FINANCING ARRANGEMENTS" to our unaudited interim Consolidated Financial Statements and "Liquidity and Capital Resources: Long-term Debt" below for additional discussion of these matters. Cash requirements for future debt repayments including interest can be found in "Management's Discussion and Analysis - Off-Balance Sheet Arrangements and Contractual Obligations."

Continue to Manage our Capital Structure

We continue to monitor our capital structure and to evaluate other opportunities to simplify our business and improve our capital structure, giving us the ability to better focus on our core businesses and prepare us for post-separation. Also, the Company regularly evaluates market conditions, its liquidity profile and various financing alternatives for opportunities to enhance its capital structure. If the Company determines that conditions are favorable, the Company may refinance or repurchase existing debt or issue additional debt, equity or equity-linked securities.

Improve Patient Access

Improving patient access to our products, as well as making them more affordable, is a key element of our business strategy.

Patient Access and Pricing Committee - Our Patient Access and Pricing Committee is responsible for setting, changing and monitoring the pricing of our products and evaluating contract arrangements that determine the placement of our products on drug formularies. The Patient Access and Pricing Committee considers new to market product pricing, price changes and their impact across channels on patient accessibility and affordability. Since its inception in 2016, the Patient Access and Pricing Committee has limited the average annual price increase for our branded prescription pharmaceutical products to single digits. Future pricing changes and programs could affect the average realized pricing for our products and may have a significant impact on our revenues and profits.

Bausch Health Patient Assistance Program - In the face of the COVID-19 pandemic, some people have financial obstacles that keep them from obtaining and continuing their prescribed treatments. We are committed to supporting patients who have lost employment health benefits due to the COVID-19 pandemic, and because it is essential that our patients continue their prescribed treatments, we are proud to offer certain of our prescription medicines through our Bausch Health Patient Assistance Program. The purpose of the Bausch Health Patient Assistance Program is to provide eligible unemployed patients in the U.S., who meet stated qualifications and have lost their health insurance due to the COVID-19 pandemic, with certain of our prescription products where their financial circumstances or insurance status would otherwise interfere with their ability to access such products. If approved, patients receive their Bausch Health Companies Inc. prescription product(s) at no cost to them for up to one year, and may be able to reapply to the program annually if they continue to meet eligibility requirements and have a valid prescription.

Cash-pay Prescription Program - In February 2019, we launched Dermatology.com, a cash-pay product acquisition program offering certain branded Ortho Dermatologics products directly to patients. In March 2020, the name Dermatology.com was removed as the cash-pay product program name, with the name Dermatology.com limited to only online usage, including future digital teledermatology and e-commerce offerings. The cash-pay program is designed to address the affordability and availability of certain branded dermatology products, when insurers and pharmacy benefit managers are no longer offering those branded prescription pharmaceutical products under their designated pharmacy benefit offerings.

Walgreens Fulfillment Arrangements - In the beginning of 2016, we launched a brand fulfillment arrangement with Walgreen Co. ("Walgreens"). Under the terms of the brand fulfillment arrangement, as amended in July 2019, we made certain dermatology and ophthalmology products available to eligible patients through patient access and co-pay assistance programs at Walgreens U.S. retail pharmacy locations, as well as participating independent retail pharmacies.

Invest in Sustainable Growth Drivers to Position us for Long-Term Growth

We are constantly challenged by the changing dynamics of our industry to innovate and bring new products to market. We have divested certain businesses where we saw limited growth opportunities, so that we can be more aggressive in redirecting our R&D spend and other corporate investments to innovate within our core businesses where we believe we can be most profitable and where we aim to be an industry leader.

We believe that we have a well-established product portfolio that is diversified within our core businesses and provides a sustainable revenue stream to fund our operations. However, our future success is also dependent upon our ability to continually refresh our pipeline, to provide a rotation of product launches that meet new and changing demands and replace other products that have lost momentum. We believe we have a robust pipeline that not only provides for the next generation of our existing products, but is also poised to bring new products to market.

Leveraging our Salix Infrastructure - We strongly believe in our GI product portfolio and we have implemented initiatives, including increasing our marketing presence and identifying additional opportunities outside our existing GI portfolio, to further capitalize on the value of the infrastructure we have built around these products to extend our market share.

In the first quarter of 2017, we hired approximately 250 trained and experienced sales force representatives and managers to create, bolster and sustain deep relationships with primary care physicians ("PCP"). With approximately 70% of IBS-D patients initially presenting symptoms to a PCP, we continue to believe that the dedicated PCP sales force is well positioned to reach more patients in need of IBS-D treatment.

Our sales force has been successful in delivering consistent growth in demand for our GI products, demonstrated by our growth in Salix revenues of 32% when comparing 2021 to 2017. We continue to seek ways to bring out further value through leveraging our existing sales force including the following opportunities:

Trulance® Acquisition - In March 2019, we completed the acquisition of certain assets of Synergy Pharmaceuticals Inc. ("Synergy"), whereby we acquired the worldwide rights to the Trulance® product, a once-daily tablet for adults with chronic idiopathic constipation, or CIC and irritable bowel syndrome with constipation, or IBS-C. We believe that the Trulance® product complements our existing Salix products and allows us to effectively leverage our existing GI sales force. In order to drive growth of the Trulance® product, we have increased the number of sales force representatives for the Trulance® product. We believe this has been successful as Trulance® revenues were $47 million and $49 million for the six months ended June 30, 2022 and 2021, respectively.

Licensing Arrangement - As previously discussed, in April 2019, we entered into a licensing agreement to develop and commercialize MT-1303 (amiselimod), a late-stage oral compound that targets the sphingosine 1-phosphate receptor that plays a role in autoimmune diseases, such as inflammatory bowel disease and ulcerative colitis. This license presents a unique developmental opportunity to address unmet needs of individuals suffering with certain

GI and liver diseases and, if developed and approval is obtained from the FDA, will allow us to further utilize our existing sales force and infrastructure to extend our market share in the future and create value.

Investment in Next Generation Formulations - Revenues from our Xifaxan® product line increased approximately 11%, 2% and 22% in 2021, 2020 and 2019, respectively. For the six months ended June 30, 2022 and 2021, Xifaxan® product revenues were $775 million and $768 million respectively, an increase of $7 million or 1%. In order to extend growth in Xifaxan®, we continue to directly invest in next generation formulations of Xifaxan® and rifaximin, the principal semi-synthetic antibiotic used in our Xifaxan® product. In addition to three R&D programs in progress, we have another R&D program planned for a next generation formulation of Xifaxan® (rifaximin) which would address a new indication.

We believe that the acquisition and licensing opportunities discussed above will be accretive to our business by providing us access to products and investigational compounds that are a natural pairing to our Xifaxan® business, allowing us to effectively leverage our existing infrastructure and sales force. We believe these opportunities, coupled with our investment in next generation formulations, will allow our GI franchise to continue to further extend market share.

Investment in Our Solta Aesthetic Medical Device Business - Next generation Thermage FLX®, a fourth-generation non-invasive treatment option using a radio frequency platform designed to optimize key functional characteristics and improve patient outcomes, has been on sale since 2017 in the U.S., Hong Kong, Japan, Korea, Taiwan, Philippines, Singapore, Indonesia, Malaysia, China, Thailand, Vietnam, Australia and various parts of Europe as part of our Solta aesthetic medical devices portfolio. We plan to continue to expand into other regions, paced by country-specific regulatory registrations. Next generation Thermage FLX® revenues were $154 million and $142 million for the years 2021 and 2020, respectively. Consistent with our business strategy to continually update and improve our technology, in 2021, we launched, in the U.S., our next generation Clear + Brilliant® *Touch* system which is designed to deliver a customized and more comprehensive treatment protocol by providing patients of all ages and skin types the benefits of two wavelengths. The launch of our next generation Clear + Brilliant® *Touch* system in the U.S. is expected to serve as a foundation for future launches in Asia and Europe.

Reposition the Ortho Dermatologics Business to Generate Additional Value - Our Ortho Dermatologics business continues to work towards improving the treatment options for medical dermatology patients needing topical acne and psoriasis products. We continue to explore additional strategic e-commerce and partnership expansion opportunities which can enable increased accessibility for patients and we continue to invest in our on-market products and evaluate various opportunities for our key medical dermatology pipeline products.

In support of the complete dermatology portfolio, we continue to take a number of actions that we believe will help our efforts to stabilize our dermatology business. These actions include: (i) building on our legacy brands to improve and meet today's physician relevance and customer service, (ii) making key investments in our core medical device and dermatological products portfolios, (iii) optimizing our go to market strategy by building on our relationships with prescribers of our products to balance our sales portfolio with the business' profitability, (iv) refocusing our operational and promotional resources and (v) improving patient access to our Ortho Dermatologics products through our cash-pay prescription program previously discussed. In addition, we made significant investments to build out our psoriasis and acne portfolios as follows:

Psoriasis - In response to the increasing number of reported cases of psoriasis in the U.S., we launched Duobrii® in June 2019 and launched Bryhali® in November 2018, which align well with our topical portfolio of psoriasis treatments. Although we continue to support a diverse portfolio of topical and injectable biologics, in order to provide a diverse choice of psoriasis treatments to doctors and patients, we believe some patients prefer topical products as an alternative to injectable biologics.

Acne - In support of our established acne product portfolio, we have developed and launched several products, which include Arazlo® (tazarotene) Lotion (launched in the U.S. in June 2020), Altreno® (launched in the U.S. in October 2018), the first lotion (rather than a gel or cream) product containing tretinoin for the treatment of acne, and Retin-A Micro® 0.06% (launched in the U.S. in January 2018). As previously discussed, we also have a unique acne project in our pipeline (IDP-126) that, if approved by the FDA, we believe will further innovate and advance the treatment of acne.

Invest in our Bausch + Lomb Business - As a fully integrated eye health business with a legacy of over 165 years, Bausch + Lomb has an established line of contact lenses, intraocular lenses and other medical devices, surgical systems and devices, vitamin and mineral supplements, lens care products, prescription eye-medications and other consumer products that positions us to compete in all areas of the eye health market. As part of our global Bausch + Lomb business strategy, we continually look for key trends in the eye health market to meet changing consumer/patient needs and identify areas for investment to extend our market share through new launches and effective pricing.

For instance, there is an increasing rate of myopia, and importantly, myopia is a potential risk factor for glaucoma, macular degeneration and retinal detachment. We continue to see increased demand for new eye health products that address conditions brought on by factors such as increased screen time, lack of outdoor activities and academic pressures, as well as conditions brought on by an aging population (for example, as more and more baby-boomers in the U.S. are reaching the age of 65). To extend our market share in eye health, we continually seek to identify new products tailored to address these key trends for development internally with our own R&D team to generate organic growth. Recent product launches include Biotrue® ONEday daily disposable contact lenses, the next generation of Bausch + Lomb ULTRA® contact lenses, SiHy Daily contact lenses (branded as AQUALOX™ ONE DAY in Japan, Bausch + Lomb INFUSE® SiHy Daily Disposable in the U.S. and Bausch + Lomb Ultra® ONE DAY in Australia, Hong Kong, Canada and South Korea and Singapore), Lumify® (an eye redness treatment), Vyzulta® (a pressure lowering eye drop for patients with angle glaucoma or ocular hypertension), Ocuvite® Eye Performance (vitamins to protect the eye from stressors such as sunlight and blue light emitted from digital devices) and SimplifEYE® (preloaded intraocular lens injector platform for enVista intraocular lens).

We also license selective molecules or technology in leveraging our own R&D expertise through development, as well as seek out external product development opportunities. As previously discussed, we acquired a global exclusive license for a myopia control contact lens design developed by BHVI, which we plan to pair with our leading contact lens technologies to develop potential contact lens treatments designed to slow the progression of myopia in children, and exclusive licenses for the commercialization and development in the U.S. and Canada of: (i) a microdose formulation of atropine ophthalmic solution, which is being investigated for the reduction of pediatric myopia progression in children ages 3-12; (ii) Xipere® which was approved by the FDA in October 2021 and launched in the first quarter of 2022, and is the first treatment available in the U.S. that utilizes the suprachoroidal space to treat patients suffering from macular edema associated with uveitis; and (iii) NOV03, an investigational drug with a novel mechanism of action to treat DED associated with MGD which has demonstrated statistically significant topline data in two Phase 3 studies. We also acquired the U.S. rights to EM-100, which was launched in February 2021 as Alaway® Preservative-Free and is the first OTC preservative-free formulation eye drop for the temporary relief of itchy eyes due to pollen, ragweed, grass, animal hair, and dander in adults and children 3 years of age and older. We believe investments in these investigational treatments, if approved by the FDA, will complement, and help build upon our strong portfolio of integrated eye health products.

As previously discussed, we have also made strategic investments in our infrastructure, the most significant of which were at our Waterford facility in Ireland to meet the forecasted demand for our Biotrue® ONEday lenses, our Rochester facility in New York to address the expected global demand for our Bausch + Lomb ULTRA® contact lens and our Lynchburg facility in Virginia to be our main point of distribution for medical devices in the U.S. During late 2018, we began investing in additional expansion projects at the Waterford and Rochester facilities in order to address the expected global demand for our SiHy Daily disposable contact lenses, which we launched in Japan in September 2018, under the branded name AQUALOX™ ONE DAY, in the U.S. in August 2020, under the branded name Bausch + Lomb INFUSE® SiHy Daily Disposable contact lens, and in Australia, Hong Kong and Canada in the fourth quarter of 2020 and in South Korea and Singapore in the second quarter of 2021, under the branded name Bausch + Lomb Ultra® ONE DAY.

We believe our recent product launches, licensing arrangements and the investments in our Waterford, Rochester and Lynchburg facilities demonstrate the growth potential we see in our Bausch + Lomb products and our eye health business and that these investments will position us to further extend our market share in the eye health market.

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" at the end of Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information.

Russia-Ukraine War

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

Our revenues attributable to Russia for the six months ended June 30, 2022 and 2021 were $63 million and $64 million, respectively. Our revenues attributable to Ukraine for the six months ended June 30, 2022 and 2021 were $3 million and $5 million, respectively. Our revenues attributable to Belarus for the six months ended June 30, 2022 and 2021 were $4 million in each period. As the geopolitical situation in Eastern Europe continues to intensify, political events and sanctions are continually changing, and we continue to assess the impact that the Russia-Ukraine war has had and will have on our businesses. These impacts may include but are not limited to: (i) interruptions or stoppage of production, (ii) damage or loss of inventories, (iii) supply-chain and product distribution disruptions in Eastern Europe, (iv) volatility in commodity prices

and currencies, (v) disruption in banking systems and capital markets, (vi) reductions in sales and earnings of business in affected areas, (vii) increased costs and (viii) cyberattacks.

To date, these challenges have not yet had a material impact on our operations; however, we anticipate that the ongoing conflict in this region and the sanctions and other actions by the global community in response will continue to hinder our ability to conduct business with customers and vendors in this region. For example, we expect to experience further disruption and delays in the supply of our products to our customers in Russia, Belarus and Ukraine. We may also experience further decreased demand for our products in these countries as a result of the conflict and invasion. In addition, we expect to experience difficulties in collecting receivables from such customers. If we continue to be hampered in our ability to conduct business with new or existing customers and vendors in this region, our business, and operations, including our revenues, profitability and cash flows, could be adversely impacted. Furthermore, if the sanctions and other retaliatory measures imposed by the global community change, we may be required to cease or suspend our operations in the region or, should the conflict worsen, we may voluntarily elect to do so. We cannot provide assurance that current sanctions or potential future changes in these sanctions or other measures will not have a material impact on our operations in Russia, Belarus and Ukraine. The disruption to or suspension of our business and operations in Russia, Belarus and Ukraine may have a material adverse impact on our business, financial condition, cash flows and results of operations. We will continue to monitor the impacts of the Russia-Ukraine war on macroeconomic conditions and continually assess the effect these matters may have on our businesses.

Impacts of COVID-19 Pandemic

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

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

The outbreak of the omicron variant in China in 2022 has resulted in government enforced lockdowns and other social restrictions, which impacted our ability to conduct business as usual in certain regions in China, particularly Shanghai. The lockdowns in China have impacted the demand for certain products, particularly our consumer, vision care and Solta products, as shelter in place orders limit the demand and need for the use of contact lenses and related products as well as for aesthetic medical treatments. Our revenues in China for the six months ended June 30, 2022 and 2021 were $177 million and $229 million, respectively, a decrease of $52 million and, in part, reflects the impact of the surge of the omicron variant in China. Additionally, government enforced lockdowns have caused certain businesses to suspend operations, creating distribution and other logistic issues for the distribution of our products and the sourcing for a limited number of raw materials. Through the date of this filing, we have dealt with these issues in China with only a minimal impact on our manufacturing and distribution processes. However, as the impacts of global reaction to the COVID-19 pandemic remains a fluid situation, we continue to monitor the impacts on our businesses of the COVID-19 virus and variant and subvariant strains thereof in order to timely address new issues if and when they arise.

For a further discussion of these and other COVID-19 related risks, see Item 1A. “Risk Factors — Risk Relating to COVID-19” of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC and the CSA on February 23, 2022.

U.S. Tax Reform

In April 2021, U.S. President Joseph Biden proposed changes to the U.S. tax system. Since that date, both houses of Congress have released their own proposals for changes to the U.S. tax system, which differ in a number of respects from the

President's proposal. The proposals under discussion have included changes to the U.S. corporate tax system that would increase U.S. corporate tax rates, although the most recent proposals do not include any such rate increase, and changes that would raise the tax rate on and make other changes to the taxation of Global Intangible Low Tax Income earned by foreign subsidiaries. Also under consideration are modifications to the Base Erosion and Anti-Abuse Tax, which would tax certain payments, including some that are related to inventory, made to affiliates that are subject to an effective tax rate of less than specified rates. Certain proposals also include limitations on the participation exemption for foreign dividends received and interest expense. In addition, certain proposals include limitations on the deduction of interest expense and carryforwards of unused interest expense, as well as an excise tax on certain pharmaceutical products that are non-compliant with the proposed drug pricing legislation.

We are unable to predict which, if any, U.S. tax reform proposals will be enacted into law, and what effects any enacted legislation might have on our liability for U.S. corporate tax. However, it is possible that the enactment of changes in the U.S. corporate tax system could have a material adverse effect on our liability for U.S. corporate tax and our consolidated effective tax rate.

Global Minimum Corporate Tax Rate

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

Health Care Reform

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

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

For 2021 and 2020, we incurred costs of $13 million and $21 million, respectively, related to the annual fee assessed on prescription drug manufacturers and importers that sell branded prescription drugs to specified U.S. government programs (e.g., Medicare and Medicaid). For 2021 and 2020, we also incurred costs of $94 million and $131 million, respectively, on Medicare Part D utilization incurred by beneficiaries whose prescription drug costs cause them to be subject to the Medicare Part D coverage gap (i.e., the "donut hole").

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

sponsored insurance coverage, and we cannot predict how future federal or state legislative or administrative changes relating to the reform will affect our business.

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

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

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

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

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

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

Generic Competition and Loss of Exclusivity

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

may mitigate the anticipated decrease in product sales; however, even with launch of an authorized generic, the decline in product sales of such product would still be expected to be significant, and the effect on our future revenues could be material.

A number of our products already face generic competition. Prior to and during 2021, in the U.S., these products include, among others, Ammonul®, Apriso®, Benzaclin®, Bepreve®, Bupap®, Cuprimine®, Demser®, Edecrin®, Elidel®, Glumetza®, Istalol®, Isuprel®, Locoid® Lotion, Lotemax® Gel, Lotemax® Suspension, Mephyton®, Migranal®, MoviPrep®, Nitropress®, Solodyn®, Syprine®, Timoptic® in Ocudose®, Uceris® Tablet, Virazole®, Wellbutrin XL®, Xenazine®, Zegerid® and Zovirax® cream. In Canada, these products include, among others, Glumetza®, Wellbutrin® XL and Zovirax® ointment.

2021 LOE Branded Products - Branded products that began facing generic competition in the U.S. during 2021 included Lotemax® Gel, Bepreve®, Clindagel® and certain other products. These products accounted for less than 1% of our total revenues in 2020. 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.

2022 through 2026 LOE Branded Products - Based on current patent expiration dates, settlement agreements and/or competitive information, we have identified branded products that we believe could begin facing potential LOE and/or generic competition in the U.S. during the years 2022 through 2026. These products and year of expected LOE include, but are not limited to, Noritate® (2022), Targretin® Gel (2022), Xerese® (2022) and certain other products that are subject to settlement agreements which could impact their exclusivity during the years 2022 through 2026. In aggregate, these products accounted for 2% of our total revenues in 2021. These dates may 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, for a number of our products (including Xifaxan® 200mg and 550mg, Bryhali®, Duobrii®, Trulance®, Lumify® and Relistor® Injection in the U.S. and Jublia® in Canada), we have commenced (or anticipate commencing) and have (or may have) ongoing infringement proceedings against potential generic competitors in the U.S. and Canada. If we are not successful in these proceedings, we may face increased generic competition for these products.

Bryhali® Lotion, 0.01% (Glenmark) - In December 2019, the Company announced that it had reached an agreement to resolve the outstanding intellectual property litigation with Glenmark Pharmaceuticals, Ltd. ("Glenmark"). Under the terms of the agreement, the Company will grant Glenmark a non-exclusive license to its intellectual property relating to Bryhali® in the U.S. and, beginning in 2026 (or earlier under certain circumstances), Glenmark will have the option to market a royalty-free generic version of Bryhali® Lotion, should it receive approval from the FDA. The parties have agreed to dismiss all litigation related to Bryhali® Lotion, and all intellectual property protecting Bryhali® Lotion remains intact.

Bryhali® Lotion, 0.01% (Padagis) - On March 20, 2020, the Company received a Notice of Paragraph IV Certification from Perrigo Israel Pharmaceuticals, Ltd. (now Padagis LLC) ("Padagis"), in which Padagis asserted that certain U.S. patents, each of which is listed in the FDA's Orange Book for Bryhali® (halobetasol propionate) lotion, 0.01% are either invalid, unenforceable and/or will not be infringed by the commercial manufacture, use or sale of Padagis' generic halobetasol propionate lotion, for which an Abbreviated New Drug Application ("ANDA") has been filed by Padagis. On May 1, 2020, the Company filed suit against Padagis pursuant to the Hatch-Waxman Act, alleging infringement by Padagis of one or more claims of the Bryhali® patents, thereby triggering a 30-month stay of the approval of the Padagis ANDA for halobetasol propionate lotion. On September 3, 2020, this action was consolidated with the action between the Company and Padagis described below, regarding Padagis' ANDA for generic Duobrii® (halobetasol propionate and tazarotene) lotion. A trial in the consolidated action has been scheduled for October 4, 2022. The Company remains confident in the strength of the Bryhali® patents and intends to vigorously pursue this matter and defend its intellectual property.

Duobrii® Lotion (Padagis) - On July 23, 2020, the Company received a Notice of Paragraph IV Certification from Padagis, in which Padagis asserted that certain U.S. patents, each of which is listed in the FDA's Orange Book for Duobrii® (halobetasol propionate and tazarotene) lotion, are either invalid, unenforceable and/or will not be infringed by the commercial manufacture, use or sale of Padagis' generic lotion, for which an ANDA has been filed by Padagis. On August 28, 2020, the Company filed suit against Padagis pursuant to the Hatch-Waxman Act, alleging infringement by Padagis of one or more claims of the Duobrii® Patents, thereby triggering a 30-month stay of the approval of the Padagis ANDA. On September 3, 2020, this action was consolidated with the action between the Company and Padagis described above, regarding Padagis' ANDA for generic Bryhali® (halobetasol propionate) lotion. A trial in the consolidated action has been scheduled for October 4, 2022. We remain confident in the strength of the Duobrii® patents and will vigorously defend our intellectual property.

Duobrii® Lotion (Taro) - In June 2022, the Company received a Notice of Paragraph IV Certification from Taro Pharmaceuticals Inc. ("Taro"), in which Taro asserted that certain U.S. patents, each of which is listed in the FDA's Orange Book for Duobrii® (halobetasol propionate and tazarotene) lotion, are either invalid, unenforceable and/or will not be infringed by the commercial manufacture, use, sale, offer for sale, or importation of Taro's generic lotion, for which an ANDA has been filed by Taro. On July 21, 2022, the Company filed suit against Taro pursuant to the Hatch-Waxman Act, alleging infringement by Taro of one or more claims of the Duobrii® Patents and triggering a 30-month stay of the approval of the Taro ANDA. We remain confident in the strength of the Duobrii® patents and will vigorously defend our intellectual property.

Xifaxan® 550mg Patent Litigation (Actavis) - On March 23, 2016, the Company initiated litigation against Actavis Laboratories FL, Inc. ("Actavis"), which alleged infringement by Actavis of one or more claims of each of the Xifaxan® patents. On September 12, 2018, we announced that we had reached an agreement with Actavis that resolved the existing litigation and eliminated the pending challenges to our intellectual property protecting Xifaxan® (rifaximin) 550 mg tablets. As part of the agreement, the parties agreed to dismiss all litigation related to Xifaxan® (rifaximin), Actavis acknowledged the validity of the licensed patents for Xifaxan® (rifaximin) 550 mg tablets and all intellectual property protecting Xifaxan® (rifaximin) 550 mg tablets will remain intact and enforceable until expiry in 2029. The agreement also grants Actavis a non-exclusive license to the intellectual property relating to Xifaxan® (rifaximin) 550 mg tablets in the United States beginning January 1, 2028 (or earlier under certain circumstances). The Company will not make any financial payments or other transfers of value as part of the agreement. In addition, under the terms of the agreement, beginning January 1, 2028 (or earlier under certain circumstances), Actavis will have the option to: (i) market a royalty-free generic version of Xifaxan® tablets, 550 mg, should it receive approval from the FDA on its ANDA, or (ii) market an authorized generic version of Xifaxan® tablets, 550 mg, in which case, we will receive a share of the economics from Actavis on its sales of such an authorized generic. Actavis will be able to commence such marketing earlier if another generic rifaximin product is granted approval and such other generic rifaximin product begins to be sold or distributed before January 1, 2028.

Xifaxan® 550mg Patent Litigation (Sandoz) - In October 2019, the Company announced that it and its licensor, Alfasigma, had commenced litigation against Sandoz Inc. ("Sandoz"), a Novartis division, alleging patent infringement of 14 patents by Sandoz's filing of its ANDA for Xifaxan® (rifaximin) 550 mg tablets. On May 6, 2020, the Company announced that an agreement had been reached with Sandoz that resolved this litigation. Under the terms of the agreement, the parties agreed to dismiss all litigation related to Xifaxan® (rifaximin), Sandoz acknowledged the validity of the licensed patents for Xifaxan® (rifaximin) 550 mg tablets and all intellectual property protecting Xifaxan® (rifaximin) 550 mg tablets will remain intact and enforceable until expiry in October 2029. The agreement also grants Sandoz a non-exclusive license to the intellectual property relating to Xifaxan® (rifaximin) 550 mg tablets in the United States beginning January 1, 2028 (or earlier under certain circumstances). Under the terms of the agreement, beginning January 1, 2028 (or earlier under certain circumstances), Sandoz will have the right to market a royalty-free generic version of Xifaxan® (rifaximin) 550 mg tablets, should it receive approval from the FDA on its ANDA. Sandoz will be able to commence such marketing earlier if another generic rifaximin product is granted approval and such other generic rifaximin product begins to be sold or distributed in the U.S. before January 1, 2028. The Company did not make any financial payments or other transfers of value as part of this agreement with Sandoz.

Xifaxan® 550mg Patent Litigation (Norwich) - On March 26, 2020, the Company and its licensor, Alfasigma, filed suit against Norwich Pharmaceuticals Inc. ("Norwich"), alleging infringement by Norwich of one or more claims of the 23 Xifaxan® patents by Norwich's filing of its ANDA for Xifaxan® (rifaximin) 550 mg tablets. On November 13, 2020, an additional three patents alleged to be infringed by Norwich were added to the suit. Xifaxan® 550mg is protected by 26 patents covering the composition of matter and the use of Xifaxan® listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, or the Orange Book. Trial in this matter was held in March 2022. The court issued an Oral Order on July 28, 2022 indicating that the court will find certain U.S. Patents protecting the use of Xifaxan® (rifaximin) 550 mg tablets for the reduction in risk of hepatic encephalopathy ("HE") recurrence valid and infringed and U.S. Patents protecting the composition, and use of Xifaxan® for treating inflammatory bowel syndrome with diarrhea ("IBS-D") invalid. The Company remains confident in the strength of the Xifaxan® patents and intends to appeal the court's judgment and vigorously defend its intellectual property.

Xifaxan® 200mg and 550mg Patent Litigation (Sun) - In April 2019, the Company and its licensor, Alfasigma, commenced litigation against Sun Pharmaceutical Industries Ltd. ("Sun"), alleging patent infringement by Sun's filing of its ANDA for Xifaxan® (rifaximin) 200 mg tablets. This suit had been filed following receipt of a Notice of Paragraph IV Certification from Sun, in which Sun asserted that the U.S. patents listed in the FDA's Orange Book for the Company's Xifaxan® tablets, 200 mg, were either invalid, unenforceable and/or would not be infringed by the commercial manufacture, use or sale of Sun's generic rifaximin tablets, 200 mg. Subsequently, on August 10, 2020, the Company received an additional Notice of Paragraph IV Certification from Sun, in which Sun asserted that the U.S. patents listed in the FDA's Orange Book for the Company's Xifaxan® tablets, 550 mg, were either invalid, unenforceable and/or would not be infringed by the commercial manufacture, use or sale of Sun's generic rifaximin tablets, 550 mg, for which an ANDA had been filed by

Sun. On September 22, 2020, the Company announced that an agreement had been reached with Sun that resolved the outstanding intellectual property disputes with Sun regarding Xifaxan® (rifaximin) 200 mg and 550 mg tablets. Under the terms of the agreement, the parties agreed to dismiss all litigation related to Xifaxan® (rifaximin) and all intellectual property protecting Xifaxan® (rifaximin) 200 mg and 550 mg tablets will remain intact and enforceable until expiry in July and October 2029, respectively. The agreement also grants Sun a non-exclusive license to the intellectual property relating to Xifaxan® (rifaximin) 200 mg and 550 mg tablets in the U.S. beginning January 1, 2028 (or earlier under certain circumstances). Under the terms of the agreement, beginning January 1, 2028 (or earlier under certain circumstances), Sun will have the right to market royalty-free generic versions of Xifaxan® (rifaximin) 200 mg and 550 mg tablets, should it receive approval from the FDA on its ANDAs. Sun will be able to commence such marketing earlier if another generic rifaximin product is granted approval and such other generic rifaximin product begins to be sold or distributed in the U.S. before January 1, 2028.

Relistor® Tablets Patent Litigation (Actavis) - On December 6, 2016, the Company initiated litigation against Actavis, which alleged infringement by Actavis of one or more claims of U.S. Patent No. 8,524,276 (the "'276 Patent"), which protects the formulation of RELISTOR® tablets. Actavis had challenged the validity of such patent and alleged non-infringement by its generic version of such product. In July 2019, we announced that the U.S. District Court of New Jersey had upheld the validity of, and determined that Actavis infringed, the '276 Patent, expiring in March 2031. Actavis appealed this decision to the U.S. Court of Appeals for the Federal Circuit. In March 2021, the Company and Actavis reached a settlement agreement and the appeal was dismissed.

Relistor® Injection Patent Litigation (Gland) - On February 22, 2022, the Company commenced litigation against Gland Pharma Limited ("Gland") alleging patent infringement by Gland's filing of its ANDA No. 216836, referencing Relistor® (methynaltrexone bromide injection, vials) and its ANDA No. 216965, referencing Relistor® (methynaltrexone bromide injection, pre-filled syringes). This suit had been filed following receipt of two Notices of Paragraph IV Certification from Gland, in which it had asserted that the U.S. patents listed in the FDA's Orange Book for the Company's Relistor® methynaltrexone bromide injection, were either invalid, unenforceable and/or would not be infringed by the commercial manufacture, use or sale of its generic methynaltrexone bromide injection. The filing of this suit triggered a 30-month stay of the approval of the Gland ANDA for its methynaltrexone bromide injection. The Company remains confident in the strength of the Relistor® patents and will continue to vigorously pursue this matter and defend its intellectual property.

Trulance® 3mg Tablets Patent Litigation (MSN and Mylan) - In March 2021, the Company received Notices of Paragraph IV Certification from MSN Laboratories Private Ltd. ("MSN") and Mylan Pharmaceuticals Inc., ("Mylan") in which MSN and Mylan asserted that certain U.S. patents, each of which is listed in the FDA's Orange Book for Trulance® (plecanatide) 3mg tablets, are either invalid, unenforceable and/or will not be infringed by the commercial manufacture, use or sale of their generic plecanatide tablets, for which each of MSN and Mylan had filed an ANDA. In April 2021, the Company filed suit against MSN and Mylan, alleging infringement of one or more claims of the patents listed for Trulance® in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, or the Orange Book. The Company remains confident in the strength of the Trulance® patents and will continue to vigorously pursue this matter and defend its intellectual property.

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

Lumify® Ophthalmic Solution Patent Litigation (Lupin) – On January 20, 2022, B&L Inc. received a Notice of Paragraph IV Certification from Lupin Ltd. ("Lupin"), in which Lupin asserted that certain of the Lumify Patents are either invalid, unenforceable and/or will not be infringed by the commercial manufacture, use or sale of Lupin's generic brimonidine tartrate solution, for which its ANDA No. 216716 has been filed by Lupin. On February 2, 2022, B&L Inc., Bausch + Lomb Ireland Limited and Eye Therapies filed suit against Lupin pursuant to the Hatch-Waxman Act, alleging patent infringement by Lupin of one or more claims of the Lumify® Patents, thereby triggering a 30-month stay of the approval of the Lupin ANDA. As noted above, the Company remains confident in the strength of the Lumify® Patents and intends to vigorously defend its intellectual property.

Generic Competition to Uceris® - In July 2018, a generic competitor launched a product which will directly compete with our Uceris® Tablet product. As disclosed in our prior filings, the Company initiated various infringement proceedings

against this generic competitor. The Court construed the claims of the asserted patents on August 2, 2019 and, on October 24, 2019, the Company agreed to a judgment that the asserted patents did not cover the generic tablets under the Court's claim construction, while reserving its right to appeal the claim construction. On November 22, 2019, the Company filed a Notice of Appeal with respect to the claim construction in the Court of Appeals for the Federal Circuit. On December 18, 2020, the Court of Appeals for the Federal Circuit affirmed the District Court's claim construction. The ultimate impact of this generic competitor on our future revenues cannot be predicted; however, Uceris® Tablet revenues for the six months ended June 30, 2022 and 2021 were approximately $7 million and $5 million, respectively, and for the years 2021, 2020 and 2019 were approximately $10 million, $15 million and $20 million, respectively.

Generic Competition to Julia® - On June 6, 2018, the U.S. Patent and Trial Appeal Board ("PTAB") completed its inter partes review for an Orange Book-listed patent covering Julia® (U.S. Patent No 7,214,506 (the "'506 Patent")) and issued a written determination invalidating such patent. On March 13, 2020, the Court of Appeals for the Federal Circuit reversed this decision and remanded the matter back to the PTAB for further proceedings. As a result of a settlement, a joint motion to terminate the proceedings was filed on November 12, 2020 and, on January 8, 2021, the PTAB granted this motion. The '506 Patent, therefore, remains valid and enforceable and expires in 2026. Julia® revenues for the six months ended June 30, 2022 and 2021 were approximately $54 million and $50 million, respectively, and for the years 2021, 2020 and 2019 were approximately $100 million, $111 million and $110 million, respectively. Julia® is covered by fourteen additional Orange Book-listed patents owned by the Company or its licensor, which expire in the years 2028 through 2035. In August and September 2018, the Company received notices of the filing of a number of ANDAs with paragraph IV certification, and has timely filed patent infringement suits against these ANDA filers, and, in addition, the Company has also commenced certain patent infringement proceedings in Canada against three separate defendants. All cases in the U.S. regarding Julia® have been settled. In Canada, two lawsuits remain pending against Apotex, Inc.

PreserVision® Patent Litigation - PreserVision® AREDS and PreserVision® AREDS 2 are over the counter eye vitamin formulas for those with moderate-to-advanced age-related degeneration ("AMD"). The PreserVision® U.S. formulation patent expired in March 2021, but a patent covering methods of using the formulation remains in force into 2026. The Company has filed patent infringement proceedings against 16 defendants claiming infringement of these patents and, in certain circumstances, related unfair competition and false advertising causes of action. Twelve of these proceedings were subsequently settled; two resulted in entry of a default. One defendant filed a declaratory judgment action after the Company filed its suit, seeking declaratory judgment related to patent claims as well as false advertising and unfair competition claims. As of the date of this filing, there are two ongoing matters. The Company remains confident in the strength of these patents and will continue to vigorously pursue these matters and defend its intellectual property.

See Note 18, "LEGAL PROCEEDINGS" to our unaudited interim Consolidated Financial Statements elsewhere in this Form 10-Q, as well as Note 20, "LEGAL PROCEEDINGS" of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC and the CSA on February 23, 2022 for further details regarding certain infringement proceedings.

The risks of generic competition are a fact of the health care industry and are not specific to our operations or product portfolio. These risks are not avoidable, but we believe they are manageable. To manage these risks, our leadership team continually evaluates the impact that generic competition may have on future profitability and operations. In addition to aggressively defending the Company's patents and other intellectual property, our leadership team makes operational and investment decisions regarding these products and businesses at risk, not the least of which are decisions regarding our pipeline. Our leadership team actively manages the Company's pipeline in order to identify innovative and realizable projects aligned with our core businesses that are expected to provide incremental and sustainable revenues and growth into the future. We believe that our current pipeline is strong enough to meet these objectives and provide future sources of revenues, in our core businesses, sufficient enough to sustain our growth and corporate health as other products in our established portfolio face generic competition and lose momentum.

We believe 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 Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC and the CSA on February 23, 2022, for additional information on 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 Company products and operating sites are in good

compliance standing with all relevant notified bodies and global health authorities. Further, all sites under FDA jurisdiction are rated as either No Action Indicated (where there was no Form 483 observation) or Voluntary Action Indicated ("VAI") (where there was a Form 483 with one or more observations). In the case of VAI inspection outcomes, the FDA has accepted our responses to the issues cited, which will be verified when the agency makes its next inspection of those specific facilities.

FINANCIAL PERFORMANCE HIGHLIGHTS

The following table provides selected unaudited financial information for the three and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions, except per share data)	2022	2021	Change	2022	2021	Change
Revenues	$ 1,967	$ 2,100	$ (133)	$ 3,885	$ 4,127	$ (242)
Operating income (loss)	$ 161	$ (270)	$ 431	$ 446	$ (491)	$ 937
Loss before income taxes	$ (129)	$ (670)	$ 541	$ (211)	$ (1,261)	$ 1,050
Net loss attributable to Bausch Health Companies Inc.	$ (145)	$ (595)	$ 450	$ (214)	$ (1,205)	$ 991
Basic and diluted loss per share attributable to Bausch Health Companies Inc.	$ (0.40)	$ (1.66)	$ 1.26	$ (0.59)	$ (3.37)	$ 2.78

Financial Performance

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

Revenues for the three months ended June 30, 2022 and 2021 was $1,967 million and $2,100 million, respectively, a decrease of $133 million, or 6%. The decrease was primarily due to: (i) the impact of our divestiture of Amoun on July 26, 2021, (ii) a decrease in net volumes in our Diversified Products, Salix and Solta segments, offset by an increase in net volumes in our Bausch + Lomb segment and (iii) the unfavorable impact of foreign currencies, primarily in Europe and Asia. These decreases were partially offset by an increase in net realized pricing, primarily in our Bausch + Lomb segment.

Operating income for the three months ended June 30, 2022 was $161 million as compared to an operating loss of $270 million for the three months ended June 30, 2021, an increase in our operating results of $431 million and reflects, among other factors:

- a decrease in contribution (Product sales revenue less Cost of goods sold, excluding amortization and impairments of intangible assets) of $95 million primarily due to: (i) the decrease in revenues as previously discussed and (ii) higher manufacturing variances, primarily as a result of inflationary pressures related to certain manufacturing costs;
- a decrease in selling, general and administrative ("SG&A") of $9 million primarily attributable to: (i) the impact of our divestiture of Amoun on July 26, 2021 and (ii) the favorable impact of foreign currencies partially offset by: (i) higher selling, advertising and promotion expenses, (ii) higher compensation expense and (iii) an increase in separation-related and IPO-related costs;
- an increase in R&D of $12 million primarily attributable to lower R&D spend in 2021, as certain R&D activities and clinical trials which were suspended in response to the COVID-19 pandemic in 2020 and did not normalize until later in 2021;
- an increase in Goodwill impairments of $83 million. During the three months ended June 30, 2022, we recognized an $83 million impairment to the goodwill of the Ortho Dermatologics reporting unit primarily driven by an increase in the discount rate due to changes in market conditions;
- a decrease in Amortization of intangible assets of $58 million primarily attributable to fully amortized intangible assets no longer being amortized in 2022;
- a decrease in Asset impairments, including loss on assets held for sale of $41 million primarily attributable to an adjustment to the loss on assets held for sale in connection with the Amoun Sale during 2021;
- an increase in Restructuring, integration, separation and IPO costs of $26 million primarily attributable to an increase in Separation costs and IPO costs associated with the B+L Separation, the B+L IPO completed on May 10, 2022 and the Solta IPO which was suspended in June 2022; and
- a favorable change in Other expense, net of $542 million, primarily attributable to higher adjustments related to the settlements of certain litigation matters during the three months ended June 30, 2021.

Operating income for the three months ended June 30, 2022 was $161 million as compared to an operating loss of $270 million for the three months ended June 30, 2021 and included non-cash charges for Depreciation and amortization of intangible assets of $347 million and $404 million, Goodwill impairments of $83 million and $0, Asset impairments, including loss on assets held for sale, of $6 million and $47 million and Share-based compensation of $26 million and $31 million, respectively.

Loss before income taxes for the three months ended June 30, 2022 and 2021 was $129 million and $670 million, respectively, a decrease of $541 million. The decrease in our Loss before income taxes is primarily attributable to: (i) the increase in our operating results of $431 million, as previously discussed and (ii) the favorable change in Gain (loss) on extinguishment of debt of $158 million, partially offset by an increase in Interest expense of $46 million.

Net loss attributable to Bausch Health Companies Inc. for the three months ended June 30, 2022 and 2021 was $145 million and $595 million, respectively, an increase in our results of $450 million. The increase in our results was primarily due to the decrease in our Loss before income taxes of $541 million, as previously discussed, partially offset by an unfavorable change in income taxes of $87 million.

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

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

Operating income for the six months ended June 30, 2022 was $446 million and operating loss for the six months ended June 30, 2021 was $491 million, an increase in our operating results of $937 million and reflects, among other factors:

- a decrease in contribution of $179 million primarily due to: (i) the decrease in revenues as previously discussed and (ii) higher manufacturing variances, primarily as a result of inflationary pressures related to certain manufacturing costs;
- an increase in SG&A of $7 million primarily attributable to: (i) higher advertising and promotion expenses, (ii) higher compensation expense and (iii) an increase in separation-related and IPO-related costs partially offset by: (i) the impact of our divestiture of Amoun on July 26, 2021 and (ii) the favorable impact of foreign currencies;
- an increase in R&D of $27 million primarily attributable to lower R&D spend in 2021, as certain R&D activities and clinical trials which were suspended in response to the COVID-19 pandemic in 2020 and did not normalize until later in 2021;
- a decrease in Amortization of intangible assets of $105 million primarily attributable to fully amortized intangible assets no longer being amortized in 2022;
- a decrease in Goodwill impairments of $386 million. Goodwill impairments associated with our Ortho Dermatologics reporting unit were $83 million and $469 million for the six months ended June 30, 2022 and 2021, respectively;
- a decrease in Asset impairments, including loss on assets held for sale of $181 million, primarily attributable to an adjustment to the loss on assets held for sale in connection with the Amoun Sale during 2021;
- an increase in Restructuring, integration, separation and IPO costs of $27 million primarily attributable to an increase in Separation costs and IPO costs associated with the B+L Separation, the B+L IPO completed on May 10, 2022 and the Solta IPO which was suspended in June 2022; and
- a favorable change in Other expense, net of $510 million primarily attributable to higher adjustments related to the settlements of certain litigation matters during the six months ended June 30, 2021.

Operating income for the six months ended June 30, 2022 was $446 million and operating loss for the six months ended June 30, 2021 was $491 million, and included non-cash charges for Depreciation and amortization of intangible assets of $699 million and $807 million, Asset impairments, including loss on assets held for sale of $14 million and $195 million, Goodwill impairments of $83 million and $469 million and Share-based compensation of $58 million and $62 million, respectively.

Loss before income taxes for the six months ended June 30, 2022 and 2021 was $211 million and $1,261 million, respectively, a decrease of $1,050 million. The decrease in our Loss before income taxes is primarily attributable to: (i) the increase in our operating results of $937 million, as previously discussed, and (ii) the favorable change in Gain (loss) on

extinguishment of debt of $163 million partially offset by: (i) an increase in Interest expense of $40 million and (ii) the unfavorable net change in Foreign exchange and other of $11 million.

Net loss attributable to Bausch Health Companies Inc. for the six months ended June 30, 2022 and 2021 was $214 million and $1,205 million, respectively, an increase in our results of $991 million. The increase in our results was primarily due to the decrease in our Loss before income taxes of $1,050 million, as previously discussed, partially offset by a decrease in Benefit from income taxes of $55 million.

RESULTS OF OPERATIONS

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

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Revenues						
Product sales	$ 1,947	$ 2,076	$ (129)	$ 3,845	$ 4,079	$ (234)
Other revenues	20	24	(4)	40	48	(8)
	1,967	2,100	(133)	3,885	4,127	(242)
Expenses						
Cost of goods sold (excluding amortization and impairments of intangible assets)	570	604	(34)	1,113	1,168	(55)
Cost of other revenues	7	8	(1)	15	18	(3)
Selling, general and administrative	676	685	(9)	1,298	1,291	7
Research and development	127	115	12	254	227	27
Amortization of intangible assets	302	360	(58)	612	717	(105)
Goodwill impairments	83	—	83	83	469	(386)
Asset impairments, including loss on assets held for sale	6	47	(41)	14	195	(181)
Restructuring, integration, separation and IPO costs	35	9	26	48	21	27
Other expense, net	—	542	(542)	2	512	(510)
	1,806	2,370	(564)	3,439	4,618	(1,179)
Operating income (loss)	161	(270)	431	446	(491)	937
Interest income	3	2	1	5	4	1
Interest expense	(410)	(364)	(46)	(772)	(732)	(40)
Gain (loss) on extinguishment of debt	113	(45)	158	113	(50)	163
Foreign exchange and other	4	7	(3)	(3)	8	(11)
Loss before income taxes	(129)	(670)	541	(211)	(1,261)	1,050
(Provision for) benefit from income taxes	(10)	77	(87)	6	61	(55)
Net loss	(139)	(593)	454	(205)	(1,200)	995
Net income attributable to noncontrolling interest	(6)	(2)	(4)	(9)	(5)	(4)
Net loss attributable to Bausch Health Companies Inc.	$ (145)	$ (595)	$ 450	$ (214)	$ (1,205)	$ 991

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

Revenues

The Company's revenues are primarily generated from product sales, principally in the therapeutic areas of GI, dermatology, and eye health, that consist of: (i) branded pharmaceuticals, (ii) generic and branded generic pharmaceuticals, (iii) OTC products and (iv) medical devices (contact lenses, intraocular lenses, ophthalmic surgical equipment and aesthetics medical devices). Other revenues include alliance and service revenue from the licensing and co-promotion of products and contract service revenue primarily in the areas of dermatology and topical medication.

Our revenues were $1,967 million and $2,100 million for the three months ended June 30, 2022 and 2021, respectively, a decrease of $133 million, or 6%. The decrease was due to: (i) the impact of divestitures and discontinuations of $74 million, primarily attributable to our divestiture of Amoun on July 26, 2021, (ii) the unfavorable impact of foreign currencies of $61 million, primarily in Europe and Asia and (iii) a decrease in volumes of $17 million primarily due to decreases in our Salix, Diversified Products and Solta segments offset by increases in volumes in our Bausch + Lomb segment. These decreases were partially offset by an increase in net realized pricing of $19 million, primarily in our Bausch + Lomb segment.

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

Cash Discounts and Allowances, Chargebacks and Distribution Fees

As is customary in the pharmaceutical 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. As more fully discussed in Note 3, "REVENUE RECOGNITION" to our unaudited interim Consolidated Financial Statements, the Company continually monitors the provisions for these deductions and evaluates the estimates used as additional information becomes available. Price appreciation credits are generated when we increase a product's wholesaler acquisition cost ("WAC") under our contracts with certain wholesalers. Under such contracts, we are entitled to credits from such wholesalers for the impact of that WAC increase on inventory on hand at the wholesalers. In wholesaler contracts, such credits are offset against the total distribution service fees we pay on all of our products to each such wholesaler. In addition, some payor contracts require discounting if a price increase or series of price increases in a contract period exceeds a negotiated threshold. 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 June 30, 2022 and 2021 were as follows:

	Three Months Ended June 30,			
	2022		2021	
(in millions)	Amount	Pct.	Amount	Pct.
Gross product sales	$ 3,401	100.0 %	$ 3,489	100.0 %
Provisions to reduce gross product sales to net product sales				
Discounts and allowances	144	4.2 %	159	4.6 %
Returns	41	1.2 %	43	1.2 %
Rebates	655	19.3 %	625	17.9 %
Chargebacks	557	16.4 %	531	15.2 %
Distribution fees	57	1.7 %	55	1.6 %
Total provisions	1,454	42.8 %	1,413	40.5 %
Net product sales	1,947	57.2 %	2,076	59.5 %
Other revenues	20		24	
Revenues	$ 1,967		$ 2,100	

Cash discounts and allowances, returns, rebates, chargebacks and distribution fees as a percentage of gross product sales were 42.8% and 40.5% for the three months ended June 30, 2022 and 2021, respectively, an increase of 2.3 percentage points and includes:

- discounts and allowances as a percentage of gross product sales were lower primarily driven by lower gross product sales and lower discount rates for certain generic products, such as Tobramycin / Dexamethasone, Glumetza® AG and Apriso® AG partially offset by: (i) higher gross sales for Xifaxan® AG and (ii) the impact of higher gross product sales and discount rates for other generics, such as Trimethoprim and Uceris® AG;

- returns as a percentage of gross product sales were unchanged. Over the last several years, the Company has increased its focus on maximizing operational efficiencies and continues to take actions to reduce product returns, including, but not limited to: (i) monitoring and reducing customer inventory levels, (ii) instituting disciplined pricing policies and (iii) improving contracting. These actions have had the effect of improving the sales return experience. The year over year comparison is also favorably impacted by the recall of certain Bausch + Lomb consumer products as a result of a quality issue at a third-party supplier during the three months ended June 30, 2021, as discussed below. These factors driving our lower return experience were partially offset by charges in our International segment of approximately $11 million during the three months ended June 30, 2022, to reflect a change in estimated future returns in one market, driven by lower estimated demand following the easing of local COVID lockdown restrictions and a change of distributors;

- rebates as a percentage of gross product sales were higher primarily due to an increase in gross product sales and higher rebate rates for certain branded products, such as Xifaxan®, Jublia®, Aplenzin® and Arazlo®, partially offset by lower gross product sales and lower rebate rates for certain branded products, such as Wellbutrin®, Retin-A Microsphere.06, Bepreve® and Duobrii® and lower sales of our generic product Glumetza® AG;

- chargebacks as a percentage of gross product sales were higher primarily due to higher chargeback rates for certain branded products, such as Glumetza® SLX and Xifaxan® and certain generic products such as Ofloxacin, Nifediac and Uceris® AG partially offset by lower gross product sales and lower chargeback rates for certain generic products, such as Glumetza® AG and for certain branded products such as Mysoline® and Atavin®; and

- distribution service fees as a percentage of gross product sales were higher primarily due to higher gross product sales and changes in the year over year customer mix for Xifaxan®. There were no price appreciation credits for the three months ended June 30, 2022 and 2021.

Expenses

Cost of Goods Sold (excluding 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 $570 million and $604 million for the three months ended June 30, 2022 and 2021, respectively, a decrease of $34 million, or 6%. The decrease was primarily driven by: (i) the impact of the divestiture of Amoun on July 26, 2021, (ii) the decrease in volumes previously discussed and (iii) the favorable impact of foreign currencies. These decreases were partially offset by higher manufacturing variances, primarily as a result of inflationary pressures related to certain manufacturing costs, partially offset by the impact of manufacturing variances incurred in 2021 related to a quality issue at a third-party supplier, as discussed below.

In 2021, B&L Inc. was notified by a third-party supplier of sterilization services for its lens care solution bottles and caps at its Milan, Italy facility, of inconsistencies in the sterilization data versus certificates of conformance previously submitted to B&L Inc. by that supplier. Based on B&L Inc.'s internal Health and Safety Analysis, it was determined that this issue did not affect the safety or performance of any of its products and was limited to a specific number of lots for certain Consumer products within our Bausch + Lomb segment. However, out of an abundance of caution and working with the appropriate notified body and responsible health authorities, B&L Inc. has contained and/or recalled down to the consumer level the limited number of affected lots of products resulting in $7 million of manufacturing variances and $6 million of returns during the three months ended June 30, 2021. Further, although B&L Inc.'s Greenville, South Carolina facility increased production to support some of the demand in the near term, due to the limited availability of qualified materials, production at the Milan facility could not keep up with demand which negatively impacted our sales for the affected products in this region during the three months ended June 30, 2021. At this time, B&L Inc. has removed this supplier from its Approved Supplier List and qualified another sterilization supplier, who, along with an existing secondary supplier, will provide bottle sterilization, thereby allowing the Milan facility to return to full production capacity.

Cost of goods sold as a percentage of product sales revenue were 29.3% and 29.1% for the three months ended June 30, 2022 and 2021, respectively, an increase of 0.2 percentage points.

Selling, General and Administrative Expenses

SG&A expenses primarily include: employee compensation associated with sales and marketing, finance, legal, information technology, human resources and other administrative functions; certain outside legal fees and consultancy costs; product promotion expenses; overhead and occupancy costs; depreciation of corporate facilities and equipment; and other general and administrative costs. The Company has also incurred Separation-related and IPO-related costs which are incremental costs indirectly related to the B+L Separation and the suspended Solta IPO and will continue to incur incremental costs indirectly related with the B+L Separation. Separation-related and IPO-related costs include, but are not limited to: (i) IT infrastructure and software licensing costs, (ii) rebranding costs and (iii) costs associated with facility relocation and/or modification.

SG&A expenses were $676 million and $685 million for the three months ended June 30, 2022 and 2021, respectively, a decrease of $9 million, or 1%. The decrease was primarily attributable to: (i) the impact of our divestiture of Amoun on July 26, 2021, (ii) lower compensation expense and (iii) the favorable impact of foreign currencies partially offset by: (i) higher selling, advertising and promotion expenses and (ii) an increase in separation-related and IPO-related costs.

Research and Development Expenses

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

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

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

Amortization of Intangible Assets

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

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

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

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

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

Goodwill Impairments

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

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

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

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

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

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

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

Asset Impairments, Including Loss on Assets Held for Sale

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

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

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

Restructuring, Integration, Separation and IPO Costs

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

Restructuring and Integration Costs

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

Restructuring and integration costs were $22 million and $3 million for the three months ended June 30, 2022 and 2021, respectively. The Company continues to evaluate opportunities to streamline its operations and identify additional cost savings globally. Although a specific plan does not exist at this time, the Company may identify and take additional exit and cost-rationalization restructuring actions in the future, the costs of which could be material.

Separation and IPO Costs

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

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

Other expense, net

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

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

Non-Operating Income and Expense

Interest Expense

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

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

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

Gain (Loss) on Extinguishment of Debt

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

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

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

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

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

Foreign Exchange and Other

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

Income Taxes

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

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

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

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

Reportable Segment Revenues and Profits

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

- ***The Salix segment*** consists of sales in the U.S. of GI products. Sales of the Xifaxan® product line represented 81% and 80% of the Salix segment's revenues for the three and six months ended June 30, 2022, respectively.
- ***The International segment*** consists of sales, with the exception of sales of Bausch + Lomb products and Solta aesthetic medical devices, outside the U.S. and Puerto Rico of branded pharmaceutical products, branded generic pharmaceutical products and OTC products.
- ***The Diversified Products segment*** consists of sales in the U.S. of: (i) pharmaceutical products in the areas of neurology and certain other therapeutic classes, (ii) generic products, (iii) Ortho Dermatologics (dermatological) products and (iv) dentistry products.
- ***The Solta Medical segment*** consists of global sales of Solta aesthetic medical devices.

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

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

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

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

Organic Revenues and Organic Growth Rates (non-GAAP)

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

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

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

Foreign currency exchange rates: Although changes in foreign currency exchange rates are part of our business, they are not within management's control. Changes in foreign currency exchange rates, however, can mask positive or negative trends in the underlying business performance. The impact for changes in foreign currency exchange rates is determined as the difference in the current period reported revenues at their current period currency exchange rates and the current period reported revenues revalued using the monthly average currency exchange rates during the comparable prior period.

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

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

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

Salix Segment:

Salix Segment Revenue

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

Salix Segment Profit

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

International Segment:

International Segment Revenue

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

International Segment Profit

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

Diversified Products Segment:

Diversified Products Segment Revenue

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

Diversified Products Segment Profit

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

Solta Medical Segment:

Solta Medical Segment Revenue

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

Solta Medical Segment Profit

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

Bausch + Lomb Segment:

Bausch + Lomb Segment Revenue

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

Bausch + Lomb Segment Profit

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

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

Revenues

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

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

Cash Discounts and Allowances, Chargebacks and Distribution Fees

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

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

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

- discounts and allowances as a percentage of gross product sales were lower primarily due to lower gross product sales for certain generic products, such as Timoptic® AG, Apriso® AG, Glumetza® AG and Migranal® AG;
- returns as a percentage of gross product sales were lower primarily due to: (i) the result of the Company's improving return experience and (ii) the favorable year over year impact due to the recall of certain Bausch + Lomb consumer products as a result of a quality issue at a third-party supplier during the three months ended June 30, 2021, as previously discussed. Over the last several years, the Company has increased its focus on maximizing operational efficiencies and continues to take actions to reduce product returns, including, but not limited to: (i) monitoring and reducing customer inventory levels, (ii) instituting disciplined pricing policies and (iii) improving contracting. These actions have had the effect of improving the sales return experience. These factors driving our lower return experience were partially offset by charges in our International segment of approximately $11 million during the six months ended June 30, 2022, to reflect a change in estimated future returns in one market, driven by lower estimated demand following the easing of local COVID-19 lockdown restrictions and a change of distributors;
- rebates as a percentage of gross product sales were higher primarily due the impact of an increase in gross product sales of certain branded products with higher rebate rates, such as Jublia®, Aplenzin®, Arazlo® and Prolensa®, partially offset by lower gross product sales and lower rebate rates for certain branded products such as Wellbutrin®, Retin-A® Microsphere .06% and Retin-A® Microsphere .08%, and the generic product Glumetza® AG;

- chargebacks as a percentage of gross product sales were higher primarily due to higher chargeback rates for certain products such as Glumetza® SLX, Ofloxacin and Xifaxan®, partially offset by lower chargeback rates and gross product sales for certain generic products such as Glumetza® AG and Targretin® AG and certain branded products such as Mysoline® and Ativan®; and

- distribution service fees as a percentage of gross product sales were unchanged. Price appreciation credits are offset against the distribution service fees when due to wholesalers. Price appreciation credits were $0 and $1 million for the six months ended June 30, 2022 and 2021, respectively.

Expenses

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

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

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

Selling, General and Administrative Expenses

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

Research and Development

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

Amortization of Intangible Assets

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

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

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

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

Goodwill Impairments

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

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

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

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

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

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

Asset Impairments, Including Loss on Assets Held for Sale

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

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

Restructuring, Integration, Separation and IPO Costs

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

Restructuring and Integration Costs

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

Separation and IPO Costs

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

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

Other Expense, Net

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

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

Non-Operating Income and Expense

Interest Expense

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

Gain (Loss) on Extinguishment of Debt

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

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

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

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

Foreign Exchange and Other

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

Income Taxes

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

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

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

Reportable Segment Revenues and Profits

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

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

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

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

Salix Segment:

Salix Segment Revenue

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

Salix Segment Profit

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

International Segment:

International Segment Revenue

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

International Segment Profit

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

Diversified Products Segment:

Diversified Products Segment Revenue

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

Diversified Products Segment Profit

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

Solta Medical Segment:

Solta Medical Segment Revenue

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

Solta Medical Segment Profit

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

Bausch + Lomb Segment:

Bausch + Lomb Segment Revenue

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

Bausch + Lomb Segment Profit

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

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

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

Operating Activities

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

Cash provided by operating activities before changes in operating assets and liabilities was $165 million and $667 million for the six months ended June 30, 2022 and 2021, respectively, a decrease of $502 million. The decrease is primarily attributable to payments of accrued legal settlements related to the Glumetza Antitrust Litigation and a RICO class action matter during 2022 and an increase in payments for Separation costs, Separation-related costs, IPO costs and IPO-related costs in 2022 as compared to 2021.

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

Investing Activities

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

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

Financing Activities

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

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

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

Liquidity and Debt

Future Sources of Liquidity

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

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

Cash, cash equivalents and restricted cash and other settlements as presented in the Consolidated Balance Sheet as of June 30, 2022 includes $446 million of cash, cash equivalents and restricted cash held by legal entities of Bausch + Lomb of which approximately $92 million was due to be distributed to other legal entities owned by the Company in connection with the B+L Separation. Cash otherwise held by Bausch + Lomb legal entities and any future cash from the operations, investing and financing activities of Bausch + Lomb, is expected to be retained by Bausch + Lomb entities and are generally not available to support the operations, investing and financing activities of other legal entities, including Bausch + Lomb’s parent company unless paid as a dividend which would be determined by the Board of Directors of Bausch + Lomb and paid pro rata to Bausch + Lomb’s shareholders.

Long-term Debt

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

Senior Secured Credit Facilities

Senior Secured Credit Facilities under the 2018 Restated Credit Agreement

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

Senior Secured Credit Facilities under the 2022 Amended Credit Agreement

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

Borrowings under the 2027 Term Loan B Facility bear interest at a rate per annum equal to, at the Company's option, either: (a) a forward-looking term rate determined by reference to the financing rate for borrowing U.S. dollars overnight collateralized by U.S. Treasury securities ("term SOFR rate") for the interest period relevant to such borrowing or (b) a base rate determined by reference to the highest of: (i) the prime rate (as defined in the 2022 Amended Credit Agreement), (ii) the federal funds effective rate plus 1/2 of 1.00% and (iii) the term SOFR rate for a period of one month plus 1.00% (or if such rate shall not be ascertainable, 1.50%) (provided, however, that the term SOFR rate with respect to the 2027 Term Loan B Facility shall at no time be less than 0.50% per annum), in each case, plus an applicable margin. Borrowings under the 2027 Revolving Credit Facility in: (i) U.S. dollars bear interest at a rate per annum equal to, at the Company's option, either: (a) the term SOFR rate (provided, however, that the term SOFR rate with respect to the 2027 Revolving Credit Facility shall at no time be less than 0.00% per annum) or (b) a base rate determined by reference to the highest of: (x) the prime rate (as defined in the 2022 Amended Credit Agreement), (y) the federal funds effective rate plus 1/2 of 1.00% or (z) the term SOFR rate for a period of one month plus 1.00%, (ii) Canadian dollars bear interest at a rate per annum equal to, at the Company's option, either: (a) the bankers' acceptance rate for Canadian dollar deposits in the Toronto interbank market (the "BA rate") for the interest period relevant to such borrowing (provided, however, that the BA rate shall at no time be less than 0.00% per annum) or (b) a prime rate determined by reference to the higher of: (x) the rate of interest last quoted by The Wall Street Journal as the "Canadian Prime Rate" or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Bank of Canada as its prime rate and (y) the one month BA rate calculated daily plus 1.00% (provided, however, that the prime rate shall at no time be less than 0.00% per annum) and (iii) euros bear interest at a rate per annum equal to a term benchmark rate determined by reference to the cost of funds for euro deposits ("EURIBOR") for the interest period relevant to such borrowing (provided, however, that such rate, shall at no time be less than 0.00% per annum in each case, plus an applicable margin). Term SOFR rate loans are subject to a credit spread adjustment ranging from 0.10%-0.25%.

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

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

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

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

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

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

Senior Secured Credit Facilities under the B+L Credit Agreement

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

Borrowings under the B+L Revolving Credit Facility in: (i) U.S. dollars bear interest at a rate per annum equal to, at Bausch + Lomb's option, either: (a) the term SOFR rate for the interest period relevant to such borrowing or (b) a base rate, determined by reference to the highest of: (i) the prime rate (as defined in the B+L Credit Agreement), (ii) the federal funds effective rate plus 1/2 of 1.00% and (iii) the term SOFR rate for a period of one month plus 1.00% (or if such rate shall not be ascertainable, 1.00%) (provided, however, that the term SOFR rate with respect to the B+L Revolving Credit Facility shall at no time be less than 0.00% per annum), (ii) Canadian dollars bear interest at a rate per annum equal to, at Bausch + Lomb's option, either: (a) the BA rate for the interest period relevant to such borrowing (provided, however, that the BA rate shall at no time be less than 0.00% per annum) or (b) prime rate determined by reference to the higher of: (x) the rate of interest last quoted by The Wall Street Journal as the "Canadian Prime Rate" or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Bank of Canada as its prime rate and (y) the one month BA rate calculated

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

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

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

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

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

Senior Secured Notes

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

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

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

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

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

Senior Unsecured Notes

The Senior Unsecured Notes issued by the Company are the Company's senior unsecured obligations and are jointly and severally guaranteed on a senior unsecured basis by each of its subsidiaries that is a guarantor under the 2022 Amended Credit Agreement. The Senior Unsecured Notes issued by BHA are senior unsecured obligations of BHA and are jointly and severally guaranteed on a senior unsecured basis by the Company and each of its subsidiaries (other than BHA) that is a guarantor under the 2022 Amended Credit Agreement. Future subsidiaries of the Company and BHA, if any, may be required to guarantee the Senior Unsecured Notes. In connection with the closing of the B+L IPO, the discharge of the April 2025 Unsecured Notes Indenture and the related release under the 2022 Amended Credit Agreement described above, the guarantees and related security provided by Bausch + Lomb and its subsidiaries in respect of the existing senior notes of the Company and BHA were released. On a non-consolidated basis, the non-guarantor subsidiaries (which, for the avoidance of doubt, does not give effect to the release of the guarantees in connection with closing of the B+L IPO) had total assets of $6,343 million and total liabilities of $7,106 million as of June 30, 2022, and revenues of $755 million and operating income of $50 million for the six months ended June 30, 2022.

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

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

Availability Under Revolving Credit Facilities

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

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

Covenant Compliance

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

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

The Company continues to take steps to seek to improve its operating results to ensure continual compliance with its financial maintenance covenant and take other actions to reduce its debt levels to align with the Company's long-term

strategy. The Company may consider taking other actions, including divesting other businesses, refinancing debt and issuing equity or equity-linked securities including secondary offerings of the common shares of Bausch + Lomb, as deemed appropriate, to provide additional coverage in complying with the financial maintenance covenant and meeting its debt service obligations.

Weighted Average Interest Rate

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

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

Focus on Capitalization of the Post-separation Entities

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

Credit Ratings

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

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

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

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

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

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

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

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

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

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

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

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

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

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

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

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

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

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

  Future Costs of B+L Separation

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

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

Future Cost Savings Programs

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

Future Licensing Payments

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

Unrecognized Tax Benefits

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

Future Repurchases of Debt

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

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

OUTSTANDING SHARE DATA

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are those policies and estimates that are most important and material to the preparation of our Consolidated Financial Statements, and which require management's most subjective and complex judgment due to the need to select policies from among alternatives available, and to make estimates about matters that are inherently uncertain. Management has reassessed the critical accounting policies and estimates as disclosed in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates" included in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC and the CSA on February 23, 2022, and determined that there were no significant changes in our critical accounting policies and estimates during the six months ended June 30, 2022, except for: (i) estimates and assumptions regarding the nature, timing and extent that the COVID-19 pandemic had on the Company's operations and cash flows as discussed in Note 2,

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

NEW ACCOUNTING STANDARDS

None.

FORWARD-LOOKING STATEMENTS

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

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

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

Forward-looking statements can generally be identified by the use of words such as "believe", "anticipate", "expect", "intend", "estimate", "plan", "continue", "will", "may", "could", "would", "should", "target", "potential", "opportunity", "designed", "create", "predict", "project", "forecast", "seek", "strive", "ongoing", "decrease" or "increase" and variations or other similar expressions. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements may not be appropriate for other purposes. All of the statements in this Form 10-Q that contain forward-looking statements are qualified by these cautionary statements. These statements are based upon the current expectations and beliefs of management. Although we believe that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making such forward-looking statements, including, but not limited to, factors and assumptions regarding the items previously outlined, those factors, risks and uncertainties outlined below and the assumption that none of these factors, risks and uncertainties will cause actual results or events to differ materially from those described in such forward-looking statements. Actual results may differ materially from those expressed or implied in such statements. Important factors, risks and uncertainties that could cause actual results to differ materially from these expectations include, among other things, the following:

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

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

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

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

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

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

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

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

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

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

Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found in our Annual Report on Form 10-K for the year ended December 31, 2021, filed on February 23, 2022, under Item 1A. "Risk Factors", under Item 1A. "Risk Factors" of Part II of this Form 10-Q and in the Company's other filings with the SEC and the CSA. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These forward-looking statements speak only as of the date made. We undertake no obligation to update or revise any of these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect actual outcomes, except as required by law. We caution that, as it is not possible to predict or identify all relevant factors that may impact forward-looking statements, the foregoing list of important factors that may affect future results is not exhaustive and should not be considered a complete statement of all potential risks and uncertainties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Other than as indicated below under "— Interest Rate Risk" and "— Inflation Risk", there have been no material changes to our exposures to market risks as disclosed in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures About Market Risks" included in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC and the CSA on February 23, 2022.

Interest Rate Risk

As of June 30, 2022, we had $16,631 million and $5,425 million principal amount of issued fixed rate debt and variable rate debt, respectively. The estimated fair value of our issued fixed rate debt as of June 30, 2022 was $11,266 million. If interest rates were to increase by 100 basis-points, the fair value of our issued fixed rate debt would decrease by approximately $428 million. If interest rates were to decrease by 100 basis-points, the fair value of our issued fixed rate debt would increase by approximately $451 million. 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 in interest rates would have an annualized pre-tax effect of approximately $54 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 interest rates change, it is not subject to changes in fair value.

Inflation Risk

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

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

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 June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.