

## 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,” “Bausch Health,” and similar terms refer to Bausch Health Companies Inc. and its subsidiaries, taken together. This “Management’s Discussion and Analysis of Financial Condition and Results of Operations” should be read in conjunction with the unaudited interim Condensed 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 September 30, 2023 (this “Form 10-Q”). The matters discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contain certain forward-looking statements within the meaning of Section 27A of The Securities Act of 1933, as amended, and Section 21E of The Securities Exchange Act of 1934, as amended, and that may be forward-looking information within the meaning of 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 Condensed Consolidated Financial Statements as of September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and the rules and regulations of the United States Securities and Exchange Commission (the “SEC”) for interim financial statements, and should be read in conjunction with our Consolidated Financial Statements for the year ended December 31, 2022, which were included in our Annual Report on Form 10-K filed on February 23, 2023. In our opinion, the unaudited interim Condensed Consolidated Financial Statements reflect all adjustments, consisting of normal and recurring adjustments, necessary for a fair statement of the financial condition, results of operations and cash flows for the periods indicated. Additional company information is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the SEC website at [www.sec.gov](http://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, diversified specialty pharmaceutical and medical device company that develops, manufactures and markets, primarily in the therapeutic areas of gastroenterology (“GI”), hepatology, neurology and dermatology, a broad range of branded, generic and branded generic pharmaceuticals, over-the-counter (“OTC”) products and aesthetic medical devices, and, through our approximately 89% ownership of Bausch + Lomb Corporation (“Bausch + Lomb” or “B+L”), branded, and branded generic pharmaceuticals, OTC products and medical devices (contact lenses, intraocular lenses, ophthalmic surgical equipment) in the therapeutic areas of eye health. Our products are marketed directly or indirectly in approximately 100 countries.

Our portfolio of products falls into five reportable segments: (i) Salix, (ii) International, (iii) Solta Medical, (iv) Diversified (formerly Diversified Products) and (v) Bausch + Lomb. 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<sup>®</sup> product line represented approximately 80% of the Salix segment’s revenues.
- **The International segment** consists of sales, with the exception of sales of Bausch + Lomb products and Solta Medical aesthetic medical devices, outside the U.S. and Puerto Rico of branded pharmaceutical products, branded generic pharmaceutical products and OTC products.
- **The Solta Medical segment** consists of global sales of Solta Medical aesthetic medical devices.
- **The Diversified segment** consists of sales in the U.S. of: (i) pharmaceutical products in the areas of neurology and certain other therapeutic classes, (ii) dermatology products, (iii) generic pharmaceutical products and (iv) dentistry products.
- **The Bausch + Lomb segment** consists of global sales of Bausch + Lomb Vision Care, Surgical and Pharmaceuticals products.

For additional discussion of our reportable segments, see the subsection “— Segment Revenues and Profits” of Note 18, “SEGMENT INFORMATION” to our unaudited interim Condensed Consolidated Financial Statements.

### 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, Surgical and Pharmaceuticals (formerly known as Ophthalmic Pharmaceuticals) businesses into an independent

publicly traded entity, Bausch + Lomb, from the remainder of Bausch Health Companies Inc. (the “B+L Separation”). On May 5, 2022, the registration statement related to the initial public offering of Bausch +Lomb (the “B+L IPO”) was declared effective, and B+L’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, B+L was an indirect wholly-owned subsidiary of Bausch Health. On May 10, 2022, a wholly owned subsidiary of the Bausch Health sold 35,000,000 common shares of B+L pursuant to the B+L IPO. Upon the closing of the B+L IPO and after giving effect to the subsequent partial exercise of the over-allotment option by the underwriters, Bausch Health indirectly holds 310,449,643 common shares of Bausch + Lomb, which represents approximately 89% of B+L’s outstanding common shares as of the date of this filing.

We continue to believe the separation of B+L, which includes the transfer of all or a portion of our remaining direct or indirect equity interest in B+L to our shareholders, makes strategic sense. The completion of the B+L Separation is subject to the achievement of targeted debt leverage ratios and the receipt of applicable shareholder and other necessary approvals. We continue to evaluate all relevant factors and considerations related to the B+L Separation, including the effect of the Norwich Legal Decision (see “*Xifaxan*<sup>®</sup> Paragraph IV Proceedings” of Note 17, “LEGAL PROCEEDINGS” to our unaudited interim Condensed Consolidated Financial Statements) on the B+L Separation.

The B+L Separation, if consummated, will result in two separate, independent companies:

- **Bausch Health excluding Bausch + Lomb** - 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 brands across the Salix, International, dentistry, neurology, medical dermatology and generics, and aesthetic medical devices businesses; and
- **Bausch + Lomb** - a fully integrated eye health company built on the iconic Bausch + Lomb brand and its long history of innovation.

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 peer companies. Although management believes the B+L Separation will unlock value, there can be no assurance that it will be successful in doing so.

See Item 1A. “Risk Factors — Risk Relating to the B+L Separation” of our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC and the CSA on February 23, 2023, for additional risks relating to the B+L Separation.

### **Focus on Value and Core Businesses**

We continue to execute on a multi-year plan designed to transform and bring out value in our Company, which includes focus on, among other factors, our: product portfolio, infrastructure, geographic footprint, capital structure and risk management. We believe that these and other actions we have taken have helped to focus our operations and improve our capital structure.

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. In line with this focus on our core businesses, we have: (i) made measurable progress in effectively managing our capital structure, including taking actions to reduce the principal balances of our long-term debt, (ii) directed capital allocation to drive growth within these core businesses, (iii) divested assets to improve our capital structure and simplify our business, (iv) resolved certain of the Company’s legacy litigation matters originating back to 2015 and prior, (v) increased our efforts to improve patient access and (vi) continued to invest in sustainable growth drivers to position us for long-term growth.

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.

#### *Effectively Managing Our Capital Structure*

At the time of our announcement of the B+L Separation, we emphasized that it is important that the post-separation entities be appropriately 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, as such, it is a primary objective of our plan of separation. For additional details on the B+L Separation, see “Separation of the Bausch + Lomb Eye Health Business” in Note 2, “SIGNIFICANT ACCOUNTING POLICIES” to our unaudited interim Condensed Consolidated Financial Statements.

#### B+L Term Loan B Facility and Senior Secured Notes

On September 29, 2023, Bausch + Lomb entered into a new term loan facility (“B+L September 2028 Term Loan B Facility”) of \$500 million and issued new Senior Secured Notes (“B+L October 2028 Secured Notes”) of \$1,400 million to finance the \$1,750 million upfront payment related to the acquisition of XIIDRA<sup>®</sup> and certain other ophthalmology assets from Novartis and associated acquisition-related transaction and financing costs, (as discussed in “-Strategic Acquisitions” below and Note 10, “FINANCING ARRANGEMENTS” to our unaudited interim Condensed Consolidated Financial Statements).

#### Accounts Receivable Credit Facility

On June 30, 2023, certain of our subsidiaries entered into a Credit and Security Agreement (the “AR Facility Agreement”) with certain third-party lenders, providing for a non-recourse financing facility collateralized by certain accounts receivable originated by a wholly-owned subsidiary of the Company (the “AR Credit Facility”). The AR Facility Agreement provides for an up to \$600 million facility, subject to certain borrowing base tests. Under the AR Credit Facility, a special purpose entity (the “Borrower”), as the borrower, purchases accounts receivable originated by a wholly-owned subsidiary of the Company, which collateralize borrowings under the AR Credit Facility. The Borrower is a bankruptcy remote entity that is unrestricted under the Company’s debt covenants, and which is consolidated by the Company.

Borrowings under the AR Credit Facility are in U.S. dollars and bear interest at a rate per annum equal to the sum of the one month term SOFR plus 6.65%. The Company is required to pay commitment fees of 0.75% multiplied by the lesser of: (i) the unfunded portion of the lenders’ commitments or (ii) 50% of the total lenders’ commitments.

As of September 30, 2023, there were \$350 million in outstanding borrowings under the AR Credit Facility.

See Note 10, “FINANCING ARRANGEMENTS” to our unaudited interim Condensed Consolidated Financial Statements and “— Liquidity and Capital Resources — Liquidity and Debt — Long-term Debt” below for additional details.

#### Managing Our Capital Structure in 2022

During 2022, we improved our capital structure and reduced the aggregate principal amount of our debt obligations by approximately \$3,800 million, as we: (i) utilized the net proceeds from the B+L IPO which closed on May 10, 2022, to make repayments of debt, (ii) reduced our debt through open market repurchases of debt with a principal value of approximately \$927 million for approximately \$550 million, (iii) extended the maturities of our debt through refinancing and (iv) completed an exchange offer which reduced the outstanding principal balance of our debt by \$2,469 million by exchanging \$5,594 million of aggregate principal value of existing unsecured senior notes (the “Existing Unsecured Senior Notes”) for newly issued secured notes with an aggregate principal balance of \$3,125 million (the “Exchange Offer”).

*The B+L IPO, 2022 Notes Issuance and Credit Agreement Refinancing* - In connection with the B+L IPO, we completed a series of transactions in support of our commitment to improve our liquidity, reduce our leverage and better capitalize the two business entities post-separation. These transactions 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:
  - The B+L IPO closed, with aggregate net proceeds (including the partial exercise of the over-allotment option by the underwriters), after deducting underwriting commissions, of approximately \$675 million.
  - The Company entered into the 2022 Amended Credit Agreement as defined and discussed in Note 10, “FINANCING ARRANGEMENTS” to our unaudited interim Condensed Consolidated Financial Statements. 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 Note 10, “FINANCING ARRANGEMENTS” to our unaudited interim Condensed Consolidated Financial Statements. 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 B Facility and November 2025 Term Loan B Facility (each as defined and discussed in Note 10, “FINANCING ARRANGEMENTS” to our unaudited interim Condensed Consolidated Financial Statements), (ii) replace our existing revolving credit facility which was due to mature in 2023, with revolving credit facilities that mature in 2027, (iii) redeem in full all of our then outstanding 6.125% Senior Unsecured Notes due 2025 (the “April 2025 Unsecured Notes”) and (iv) replace our then remaining amounts outstanding under our June 2025 Term Loan B Facility and November 2025 Term Loan B Facility with term loan facilities that were to expire in 2027.

*Early Extinguishment of Debt* - During 2022, through a series of transactions we repurchased and retired outstanding senior unsecured notes with an aggregate par value of \$927 million in the open market for approximately \$550 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 (i) repayment of the June 2025 Term Loan B Facility, November 2025 Term Loan B Facility and 2023 Revolving Credit Facility and (ii) redemption of the 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.

*September 2022 Exchange Offer* - As discussed in further detail below under “— Liquidity and Capital Resources — Liquidity and Debt — Long-term Debt”, we made the strategic decision based on the fair value of our Senior Unsecured Notes to undertake the Exchange Offer in September 2022. We exchanged certain validly tendered existing senior unsecured notes, with an aggregate outstanding principal balance of approximately \$5,594 million with maturities of 2025 through 2031 for newly issued senior secured notes, with an aggregate principal balance of approximately \$3,125 million with maturities of 2028 and 2030. After fees and expenses, the Exchange Offer reduced the principal balances of our outstanding debt obligations by \$2,469 million and extended the maturities of approximately \$2,400 million of principal balances coming due during the years 2025 through 2027 to the years 2028 and 2030.

The secured notes issued in the Exchange Offer consist of: (i) \$1,774 million in aggregate principal amount of new 11.00% First Lien Secured Notes due 2028 (the “11.00% First Lien Secured Notes”) issued by the Company, (ii) \$352 million in aggregate principal amount of new 14.00% Second Lien Secured Notes due 2030 (the “14.00% Second Lien Secured Notes”, and, together with the 11.00% First Lien Secured Notes, the “New BHC Secured Notes”) issued by the Company and (iii) \$999 million in aggregate principal amount of new 9.00% Senior Secured Notes due 2028 (the “9.00% Intermediate Holdco Secured Notes”, and, together with the New BHC Secured Notes, the “New Secured Notes”) issued by 1375209 B.C. Ltd. (“Intermediate Holdco”), an existing wholly-owned unrestricted subsidiary of the Company that held 38.5% of the issued and outstanding common shares of Bausch + Lomb as of September 30, 2023.

Maturities of our principal balances of debt obligations as of September 30, 2023 were as follows:

| <i>(in millions)</i>   | <b>Remainder<br/>of 2023</b> | <b>2024</b> | <b>2025</b> | <b>2026</b> | <b>2027</b> | <b>2028</b> | <b>Thereafter</b> | <b>Total</b> |
|------------------------|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------------|--------------|
| Total debt obligations | \$ 39                        | \$ 155      | \$ 2,794    | \$ 896      | \$ 6,648    | \$ 7,218    | \$ 3,202          | \$ 20,952    |

See Note 10, “FINANCING ARRANGEMENTS” to our unaudited interim Condensed Consolidated Financial Statements and “— Liquidity and Capital Resources — Liquidity and Debt — Long-term Debt” below for additional discussion of these matters. Cash requirements for future debt repayments including interest can be found in “— Liquidity and Capital Resources — 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. 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.

*Direct Capital Allocation to Drive Growth Within Our Core Businesses*

Our capital allocation is also driven by our long-term growth strategies. We allocate resources to promote our core businesses globally through: (i) strategic acquisitions, (ii) research and development (“R&D”) investment, (iii) strategic licensing agreements and (iv) strategic investments in our infrastructure. We believe that 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, 2022, 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 September 30, 2023, we had approximately 100 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 -
  - Two global Phase 3 studies for the use of a rifaximin soluble solid dispersion (“SSD”) formulation for the prevention of overt hepatic encephalopathy (“OHE”) in patients with early decompensation in liver cirrhosis (RED-C) have commenced. We expect to complete enrollment of two global Phase 3 trials in the first quarter of 2024. We have completed scientific advisory meetings with the Medicines Evaluation Board in the Netherlands and with Health Canada, and have received feedback on the program from National Medical Products Administration in China. We are currently planning to meet with regulatory authorities in Japan later this year.
  - Received orphan drug designation for sickle cell disease. A phase 2 study with novel dosage formulation completed enrolling patients for the treatment of sickle cell disease.
  - Development of a fit for purpose Patient Reported Outcomes tool for small intestinal bacterial overgrowth, or “SIBO”, is continuing in 2023 and will be validated in an upcoming clinical trial.
- Amiselimod (S1P modulator) - A Phase 2 study to evaluate Amiselimod (S1P modulator) for the treatment of mild to moderate ulcerative colitis completed enrollment in July 2023 and the induction portion of the study is expected to be completed in the fourth quarter of 2023.

#### *Solta Medical*

- Clear + Brilliant<sup>®</sup> Touch - Next generation Clear + Brilliant<sup>®</sup> laser 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 with submissions in Europe, Canada and Asia Pacific markets planned in 2024.
- Fraxel<sup>®</sup> - Next Generation Fraxel<sup>®</sup> is a fractionated laser device for skin resurfacing and is planned for FDA submission in the first quarter of 2024.

#### *Dermatology*

- Internal Development Project - 126 - An acne product with a fixed combination of benzoyl peroxide, clindamycin phosphate and adapalene. On October 20, 2023, the FDA approved the New Drug Application (“NDA”) for CABTREO<sup>™</sup> Topical Gel (formerly Internal Development Project - 126), the first and only FDA-approved fixed-dose, triple-combination topical treatment for acne. We plan to launch CABTREO<sup>™</sup> Topical Gel in the U.S. during the first quarter of 2024. A New Drug Submission was submitted to Health Canada on May 30, 2023.

#### *Bausch + Lomb*

- SiHy Daily - A silicone hydrogel daily disposable contact lens designed to provide clear vision throughout the day. To date, SiHy Daily has been launched in approximately 50 countries, under the brand names INFUSE<sup>®</sup>, ULTRA<sup>®</sup> ONE DAY and AQUALOX<sup>®</sup> ONE DAY. Bausch + Lomb continues to plan to launch its SiHy Daily lenses into additional countries throughout 2023. In addition, Bausch + Lomb launched its first silicone hydrogel daily disposable multifocal contact lens in May 2023 and plans to launch a toric lens in 2024.
- LUMIFY<sup>®</sup> (brimonidine tartrate ophthalmic solution, 0.025%) - An OTC eye drop developed as an ocular redness reliever. To date, Bausch + Lomb has launched and acquired the right to launch Lumify<sup>®</sup> in various countries. Bausch + Lomb also has several innovative new line extension formulations under development, including Lumify<sup>®</sup> Eye Illuminations which launched in the U.S. in September 2023, Lumify Preservative Free, for which an NDA was submitted to the FDA in May 2023 and Lumify<sup>®</sup> Allergy, for which an NDA is expected to be submitted to the FDA during 2024.

- Bausch + Lomb is expanding its portfolio of premium intraocular lenses (“IOL”) built on the enVista<sup>®</sup> platform with Aspire<sup>™</sup> (Monofocal Plus), Envy<sup>™</sup> Trifocal and BEYOND<sup>™</sup> (extended depth of focus (“EDOF”)) optical designs with two options: non-Toric and Toric for astigmatism patients. enVista<sup>®</sup> Aspire monofocal and toric IOLs with Intermediate Optimized optics began launching in the U.S. during October 2023 and Bausch + Lomb anticipates launching Trifocal and EDOF optical designs for presbyopia in the U.S. in 2024 and 2025/2026, respectively.

### 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 may enter into select licensing and collaborative agreements for the commercialization and/or development of unique products primarily in the U.S. and Canada. 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.

### Strategic Acquisitions

We remain very selective when considering any acquisition and pursue only those opportunities that we believe align well with our current organization and strategic plan. We sometimes refer to these opportunities as “bolt on” acquisitions. In being selective, we seek to enter into only those acquisitions that provide us with significant synergies with our existing business, thereby minimizing risks to our core businesses and providing long-term growth opportunities.

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

In July 2023, Bausch + Lomb acquired the Blink<sup>®</sup> OTC product line of eye and contact lens drops from Johnson & Johnson Vision, which consists of Blink<sup>®</sup> Tears Lubricating Eye Drops, Blink<sup>®</sup> Tears Preservative Free Lubricating Eye Drops, Blink GelTears<sup>®</sup> Lubricating Eye Drops, Blink<sup>®</sup> Triple Care Lubricating Eye Drops, Blink Contacts<sup>®</sup> Lubricating Eye Drops, and Blink-N-Clean<sup>®</sup> Lens Drops (collectively, the “Blink<sup>®</sup> Product Line”). Bausch + Lomb believes this acquisition will enable it to continue to grow its global OTC business.

See Note 4, “LICENSING AGREEMENTS AND ACQUISITIONS” to our unaudited interim Condensed Consolidated Financial Statements for additional information.

In January 2023, Bausch + Lomb acquired AcuFocus, Inc., an ophthalmic medical device company that has delivered small aperture intraocular technology to address the diverse unmet needs in eye care. The IC-8<sup>®</sup> Athera<sup>™</sup> IOL was approved by the FDA in July 2022 as the first and only small aperture non-toric EDOF IOL for certain cataract patients who have as much as 1.5 diopters of corneal astigmatism and wish to address presbyopia at the same time. Bausch + Lomb believes the IC-8<sup>®</sup> Athera<sup>™</sup> EDOF IOL will bolster its surgical portfolio by enhancing the IOL offerings, which is a strategic area of focus for Bausch + Lomb.

### *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 Team* - We formed the Patient Access and Pricing Team which is committed to maintaining patients’ ability to access our branded prescription pharmaceutical products. All future pricing actions will be subject to review by the Patient Access and Pricing Team. 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* - We are committed to supporting patients through our Patient Assistance Program which offers free medication for patients who meet income and other eligibility criteria. If approved, patients receive their Bausch Health 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* - The cash-pay program was adopted 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. This program is currently limited to a select group of our brands and offered through our unique telemedicine and fulfillment platform which allows for patients to choose direct delivery to their home or to use a pharmacy of their choice. This program is designed to connect patients with dermatologists and provide patients both a predictable customer experience and a predictable cost for their dermatology health care needs.

*Walgreens Fulfillment Arrangements* - Under our brand fulfillment arrangement with Walgreen Co. (“Walgreens”), we make 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. Our investment in R&D reflects our commitment to drive organic growth through internal development of new products 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. We continue to make strategic investments to drive revenue growth and build our R&D pipeline to ultimately bring products that serve patient needs. 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. To that end, we have identified key growth drivers across all our business segments and where we see significant opportunity.

#### *Focus on Core Business in 2023*

We remain focused on growth, through innovation increasing the size, breadth and depth of our product pipeline through R&D and strategic business development.

Our key investment priorities for 2023 are as follows:

*Salix* - We believe in our GI product portfolio and we have implemented initiatives, including increasing our marketing investment in Xifaxan<sup>®</sup>, to further capitalize on the value of the infrastructure we have built around these products to extend our market share. We have increased our investment in Xifaxan<sup>®</sup> direct-to-consumer (“DTC”) advertising and new sales force capabilities. We also continue to invest in our product line. Our rifaximin SSD formulation, is under development for the prevention of OHE and other complications in patients with early decompensation in liver cirrhosis (RED-C). The drug candidate is administered orally, and is a next-generation rifaximin formulation that acts by targeting beta-subunit of bacterial DNA-dependent RNA polymerase.

*International* - Our International product portfolio consists of several new launches including Ryaltris<sup>®</sup> for moderate to severe seasonal allergic rhinitis and Uceris<sup>®</sup>, an aerosol foam for distal ulcerative colitis in Canada. We are also pursuing opportunities in the dermatology markets globally for products that address acne, atopic dermatitis, psoriasis and onychomycosis. To address these and other opportunities we continue to invest in the training and expansion of our sales and marketing teams.

*Solta Medical* - More than 70% of our Solta Medical business revenues has historically come from consumables, which we believe results in a durable business model. We continue to invest in expanding our presence in key markets, including broadening the reach of our DTC campaigns in the U.S., the expansion of Thermage<sup>®</sup> FLX and the strengthening of our sales force in the U.S. and Europe.

*Diversified* - We continue to seek out ways to bring out value in our promoted and nonpromoted products within our Diversified portfolios. In 2023 we have increased our investments in the marketing and advertising of Aplenzin<sup>®</sup> as the only approved major depressive disorder product for Seasonal Affective Disorder, and also expanding our consumer awareness campaign for Jublia<sup>®</sup>. In addition, expanding our established acne product portfolio, on October 20, 2023, the FDA approved the NDA for CABTREO<sup>™</sup> Topical Gel, the first and only FDA-approved fixed-dose, triple-combination topical treatment for acne. We plan to launch CABTREO<sup>™</sup> Topical Gel in the U.S. during the first quarter of 2024. In our generics portfolio, we are focused on effectively managing this portfolio of non-promoted products. In our Dentistry business, we are increasing our investments in Arestin<sup>®</sup> direct to patient activation and awareness campaigns.

## **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 affected economic and global financial markets as well as ongoing economic challenges, including issues such as high levels of inflation and global supply-chain disruption.

Our revenues attributable to Russia, Ukraine and Belarus, in the aggregate, were approximately \$115 million and \$135 million for the nine months ended September 30, 2023 and 2022, respectively. The Company does not have any research or manufacturing facilities in Russia, Ukraine or Belarus. To date, the Russia-Ukraine war has not had a material impact on our business, however we are not able to determine the ultimate future direct or indirect impacts this war may have on our business.

For a further discussion of these and other risks relating to our international business, see Item 1A. “Risk Factors — Risk Relating to the Russia and Ukraine conflict” in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC and the CSA on February 23, 2023.

### *COVID-19 Update*

During 2022, the outbreak of the omicron variant in China 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 impacted the demand for certain products, particularly B+L’s Vision care and our Solta Medical products, as shelter in place orders limited the demand and need for the use of contact lenses and related products as well as for aesthetic medical treatments. Additionally, government enforced lockdowns caused certain businesses to suspend operations, creating distribution and other logistic issues for the distribution of our products and the sourcing for a limited number of raw materials. These lockdowns began to ease during the fourth quarter of 2022. Our revenues in China for the nine months ended September 30, 2023 and 2022 were \$315 million and \$293 million, respectively, an increase of \$22 million. To date, we have dealt with these issues in China with only a minimal impact on our manufacturing and distribution processes and we continue to monitor the impact of COVID-19 on all aspects of our business.

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, 2022, filed with the SEC and the CSA on February 23, 2023.

### *Health Care Reform*

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

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

We continually review newly enacted and proposed U.S. federal and state legislation, as well as proposed rule-making and guidance published by the U.S. Department of Health and Human Services, the FDA, and applicable foreign governments in locations in which we operate; however, at this time, it is unclear the effect these matters may have on our businesses.

### *Generic Competition and Loss of Exclusivity*

Certain of our products face the expiration of their patent or regulatory exclusivity in 2023 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 2023 or in later years. For example, during the second quarter of 2023, the

first generic competitor product for Uceris<sup>®</sup> Foam was introduced. Following a LOE of and/or generic competition for a product, we would anticipate that product sales for such product would decrease significantly shortly following the LOE or entry of a generic competitor. Where we have the rights, we may elect to launch an authorized generic (“AG”) of such product (either ourselves or through a third-party) prior to, upon or following generic entry, which may mitigate the anticipated decrease in product sales; 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.

*2023 through 2027 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 2023 through 2027. These products and year of expected LOE include, but are not limited to, Aplenzin<sup>®</sup> (2026), Bryhali<sup>®</sup> (2026), Noritate<sup>®</sup> (2023), Onexton<sup>®</sup> (2023), Prolensa<sup>®</sup> (2023) and Xerese<sup>®</sup> (2023). 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<sup>®</sup> 550 mg, Arazlo<sup>®</sup>, Duobrii<sup>®</sup>, Trulance<sup>®</sup> and Lumify<sup>®</sup> in the U.S), we have commenced (or anticipate commencing) and have (or may have) ongoing infringement proceedings against potential generic competitors in the U.S. If we are not successful in these proceedings, we may face increased generic competition for these products.

See Note 17, “LEGAL PROCEEDINGS” to our unaudited interim Condensed 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, 2022, filed with the SEC and the CSA on February 23, 2023 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, 2022, filed with the SEC and the CSA on February 23, 2023, 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, except as discussed below, all of our global operations and facilities have the relevant operational good manufacturing practices certificates and all Company products and all 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.

In October 2023, following a good manufacturing practices inspection of our Tecnofarma manufacturing facility in Mexico, the Mexico regulatory authority COFEPRIS suspended all cephalosporin manufacturing operations as a result of their observation that the cephalosporin manufacturing facility design no longer complies with current standards. No other manufacturing areas of our Tecnofarma facility are impacted. This action is not expected to have a material impact to the Company, as revenues from production of the impacted products were not material for the nine months ended September 30, 2023 and 2022.

## FINANCIAL PERFORMANCE HIGHLIGHTS

The following table provides selected unaudited financial information for the three and nine months ended September 30, 2023 and 2022:

| <i>(in millions, except per share data)</i>                    | Three Months Ended<br>September 30, |          |           | Nine Months Ended<br>September 30, |          |           |
|--|-------------------------------------|----------|-----------|------------------------------------|----------|-----------|
|  | 2023                                | 2022     | Change    | 2023                               | 2022     | Change    |
| Revenues   | \$ 2,238                            | \$ 2,046 | \$ 192    | \$ 6,349                           | \$ 5,931 | \$ 418    |
| Operating income   | \$ 14                               | \$ 244   | \$ (230)  | \$ 601                             | \$ 690   | \$ (89)   |
| (Loss) income before income taxes                              | \$ (326)                            | \$ 439   | \$ (765)  | \$ (383)                           | \$ 228   | \$ (611)  |
| Net (loss) income attributable to Bausch Health Companies Inc. | \$ (378)                            | \$ 399   | \$ (777)  | \$ (553)                           | \$ 185   | \$ (738)  |
| Basic  | \$ (1.03)                           | \$ 1.10  | \$ (2.13) | \$ (1.52)                          | \$ 0.51  | \$ (2.03) |
| Diluted  | \$ (1.03)                           | \$ 1.10  | \$ (2.13) | \$ (1.52)                          | \$ 0.51  | \$ (2.03) |

### Financial Performance

#### *Summary of the Three Months Ended September 30, 2023 Compared to the Three Months Ended September 30, 2022*

Revenues for the three months ended September 30, 2023 and 2022 were \$2,238 million and \$2,046 million, respectively, an increase of \$192 million, or 9%. The increase was primarily due to growth across all our segments driven by: (i) improved net pricing, (ii) higher volumes in our Salix, Bausch + Lomb and Solta Medical segments, (iii) incremental sales attributable to acquisitions and (iv) the favorable impact of foreign currencies, partially offset by lower volumes in our Diversified and International segments and the impact of divestitures and discontinuations.

Operating income for the three months ended September 30, 2023 and 2022 was \$14 million and \$244 million, respectively, and included non-cash charges for Depreciation and amortization of intangible assets of \$301 million and \$335 million, Goodwill impairments of \$402 million and \$119 million and Share-based compensation of \$29 million and \$33 million, respectively. The decrease in our operating results of \$230 million reflects, among other factors:

- an increase in contribution (Product sales revenue less Cost of goods sold, excluding amortization and impairments of intangible assets) of \$152 million primarily due to the increase in revenues as previously discussed;
- an increase in selling, general and administrative (“SG&A”) of \$54 million primarily attributable to higher: (i) selling, advertising and promotion expenses, (ii) professional services and (iii) compensation, partially offset by a decrease in certain administrative expenses;
- an increase in R&D expenses of \$20 million primarily attributable to higher spend, primarily on certain Salix projects;
- a decrease in Amortization of intangible assets of \$37 million primarily attributable to fully amortized intangible assets no longer being amortized in 2023;
- an increase in Goodwill impairments of \$283 million as during the three months ended September 30, 2023, we recognized impairments to the goodwill of the Dermatology and Neurology reporting units; and
- an unfavorable change in Other expense, net of \$56 million, primarily attributable to: (i) adjustments to reflect changes in estimates of the liability for Acquisition-related contingent consideration, (ii) higher adjustments related to the settlements of certain litigation matters and (iii) adjustments related to acquisition related transaction costs.

Loss before income taxes for the three months ended September 30, 2023 was \$326 million as compared to income before income taxes for the three months ended September 30, 2022 of \$439 million, a decrease of \$765 million. The decrease is primarily attributable to: (i) the decrease in Gain on extinguishment of debt of \$570 million, (ii) the decrease in our operating results of \$230 million, as previously discussed, and (iii) the unfavorable change in foreign exchange and other of \$14 million, partially offset by a decrease in interest expense of \$46 million. The decrease in interest expense is primarily due to the impact of the accounting treatment for a portion of interest payments on the New Secured Notes, which reduced reported interest expense by \$73 million relative to contractual interest cost.

Net loss attributable to Bausch Health for the three months ended September 30, 2023 was \$378 million as compared to Net income attributable to Bausch Health for the three months ended September 30, 2022 of \$399 million, a decrease of \$777 million, due to: (i) the decrease in our Income before income taxes of \$765 million as previously discussed, and (ii)

unfavorable change in income taxes of \$20 million, partially offset by an increase in Net loss (income) attributable to noncontrolling interest of \$8 million.

***Summary of the Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 30, 2022***

Revenues for the nine months ended September 30, 2023 and 2022 were \$6,349 million and \$5,931 million, respectively, an increase of \$418 million, or 7%. The increase was primarily due to growth in the Bausch + Lomb, Salix, International and Solta Medical segments driven by: (i) higher volumes in our Bausch + Lomb, Salix, Solta Medical and International segments, (ii) improved net pricing across all our segments and (iii) incremental sales attributable to acquisitions, partially offset by: (i) the unfavorable impact of foreign currencies, primarily in Asia and Europe, (ii) the impact of divestitures and discontinuations and (iii) lower revenues in our Diversified segment.

Operating income for the nine months ended September 30, 2023 and 2022 was \$601 million and \$690 million, respectively, and included non-cash charges for Depreciation and amortization of intangible assets of \$935 million and \$1,034 million, Asset impairments of \$54 million and \$15 million, Goodwill impairments of \$402 million and \$202 million and Share-based compensation of \$103 million and \$91 million, respectively. The decrease in our operating results of \$89 million reflects, among other factors:

- an increase in contribution of \$277 million primarily due to the increase in revenues as previously discussed;
- an increase in SG&A of \$192 million primarily attributable to higher: (i) compensation, (ii) selling, advertising and promotion expenses and (iii) certain administrative expenses, partially offset by: (i) a decrease in separation-related costs and (ii) the favorable impact of foreign currencies;
- an increase in R&D of \$65 million primarily attributable to higher spend, primarily on certain Salix projects;
- a decrease in Amortization of intangible assets of \$107 million primarily attributable to fully amortized intangible assets no longer being amortized in 2023;
- an increase in Goodwill impairments of \$200 million as during the nine months ended September 30, 2023, we recognized impairments to the goodwill of the Dermatology and Neurology reporting units;
- an increase in Asset impairments of \$39 million during nine months ended September 30, 2023, primarily attributable to the launch of a generic competitor to Uceris<sup>®</sup> Foam;
- a decrease in Restructuring, integration, separation and IPO costs of \$18 million; and
- a favorable change in Other expense, net of \$6 million primarily attributable to insurance recoveries, partially offset by: (i) adjustments to reflect changes in estimates of the liability for Acquisition-related contingent consideration and (ii) adjustments related to acquisition related transaction costs.

Loss before income taxes for the nine months ended September 30, 2023 was \$383 million as compared to income before income taxes for the nine months ended September 30, 2022 of \$228 million, a decrease in our results of \$611 million. The decrease is primarily attributable to: (i) a decrease in Gain on extinguishment of debt of \$683 million, (ii) the decrease in our operating results of \$89 million, as previously discussed, and (iii) the unfavorable net change in Foreign exchange and other of \$42 million, partially offset by: (i) a decrease in Interest expense of \$192 million and (ii) an increase in Interest income of \$11 million. The decrease in interest expense is primarily due to the impact of the accounting treatment for a portion of interest payments on the New Secured Notes, which reduced reported interest expense by \$221 million relative to contractual interest cost.

Net loss attributable to Bausch Health for the nine months ended September 30, 2023 was \$553 million as compared to Net income attributable to Bausch Health for the nine months ended September 30, 2022 of \$185 million, a decrease in our results of \$738 million. The decrease in our results was primarily due to: (i) the decrease in our Income before income taxes of \$611 million, as previously discussed, and (ii) the unfavorable change in our provision for income taxes of \$151 million, partially offset by an increase in Net income attributable to noncontrolling interest of \$24 million.

## RESULTS OF OPERATIONS

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

| <i>(in millions)</i>   | Three Months Ended<br>September 30, |               |                 | Nine Months Ended<br>September 30, |               |                 |
|--|-------------------------------------|---------------|-----------------|------------------------------------|---------------|-----------------|
|  | 2023                                | 2022          | Change          | 2023                               | 2022          | Change          |
| <b>Revenues</b>  |                                     |               |                 |                                    |               |                 |
| Product sales  | \$ 2,213                            | \$ 2,022      | \$ 191          | \$ 6,281                           | \$ 5,857      | \$ 424          |
| Other revenues   | 25                                  | 24            | 1               | 68                                 | 74            | (6)             |
|  | <u>2,238</u>                        | <u>2,046</u>  | <u>192</u>      | <u>6,349</u>                       | <u>5,931</u>  | <u>418</u>      |
| <b>Expenses</b>  |                                     |               |                 |                                    |               |                 |
| Cost of goods sold (excluding amortization and impairments of intangible assets) | 612                                 | 573           | 39              | 1,824                              | 1,677         | 147             |
| Cost of other revenues   | 11                                  | 11            | —               | 30                                 | 35            | (5)             |
| Selling, general and administrative  | 715                                 | 661           | 54              | 2,151                              | 1,959         | 192             |
| Research and development   | 153                                 | 133           | 20              | 452                                | 387           | 65              |
| Amortization of intangible assets  | 253                                 | 290           | (37)            | 795                                | 902           | (107)           |
| Goodwill impairments   | 402                                 | 119           | 283             | 402                                | 202           | 200             |
| Asset impairments  | 4                                   | 1             | 3               | 54                                 | 15            | 39              |
| Restructuring, integration, separation and IPO costs                             | 14                                  | 10            | 4               | 40                                 | 58            | (18)            |
| Other expense, net   | 60                                  | 4             | 56              | —                                  | 6             | (6)             |
|  | <u>2,224</u>                        | <u>1,802</u>  | <u>422</u>      | <u>5,748</u>                       | <u>5,241</u>  | <u>507</u>      |
| Operating income   | 14                                  | 244           | (230)           | 601                                | 690           | (89)            |
| Interest income  | 6                                   | 3             | 3               | 19                                 | 8             | 11              |
| Interest expense   | (339)                               | (385)         | 46              | (965)                              | (1,157)       | 192             |
| Gain on extinguishment of debt   | —                                   | 570           | (570)           | —                                  | 683           | (683)           |
| Foreign exchange and other   | (7)                                 | 7             | (14)            | (38)                               | 4             | (42)            |
| (Loss) income before income taxes  | <u>(326)</u>                        | <u>439</u>    | <u>(765)</u>    | <u>(383)</u>                       | <u>228</u>    | <u>(611)</u>    |
| Provision for income taxes   | (56)                                | (36)          | (20)            | (181)                              | (30)          | (151)           |
| Net (loss) income  | <u>(382)</u>                        | <u>403</u>    | <u>(785)</u>    | <u>(564)</u>                       | <u>198</u>    | <u>(762)</u>    |
| Net loss (income) attributable to noncontrolling interest                        | 4                                   | (4)           | 8               | 11                                 | (13)          | 24              |
| Net (loss) income attributable to Bausch Health Companies Inc.                   | <u>\$ (378)</u>                     | <u>\$ 399</u> | <u>\$ (777)</u> | <u>\$ (553)</u>                    | <u>\$ 185</u> | <u>\$ (738)</u> |

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

#### Revenues

The Company's revenues are primarily generated from product sales, primarily in the therapeutic areas of GI, hepatology, neurology, 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 aesthetic medical devices). Other revenues include alliance and service revenue from the licensing and co-promotion of products and contract service revenue which is derived primarily from contract manufacturing for third parties and which is not material.

Our revenues were \$2,238 million and \$2,046 million for the three months ended September 30, 2023 and 2022, respectively, an increase of \$192 million, or 9%. The increase was primarily due to: (i) an increase in net realized pricing of \$98 million attributable to all our segments, (ii) an increase in volumes of \$77 million attributable to our Salix, Bausch + Lomb and Solta Medical segments, (iii) incremental sales attributable to acquisitions of \$15 million and (iv) the favorable impact of foreign currencies of \$6 million, primarily in Europe and Asia, partially offset by the impact of divestitures and discontinuations of \$4 million.

The changes in our segment revenues and segment profits for the three months ended September 30, 2023, 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 Condensed 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 September 30, 2023 and 2022 were as follows:

| <i>(in millions)</i>  | <b>Three Months Ended September 30,</b> |             |               |             |
|---|---|-------------|---------------|-------------|
|   | <b>2023</b>                             |             | <b>2022</b>   |             |
|   | <b>Amount</b>                           | <b>Pct.</b> | <b>Amount</b> | <b>Pct.</b> |
| Gross product sales   | \$ 3,696                                | 100.0 %     | \$ 3,456      | 100.0 %     |
| Provisions to reduce gross product sales to net product sales |   |             |               |             |
| Discounts and allowances                                      | 160                                     | 4.3 %       | 149           | 4.3 %       |
| Returns   | 24                                      | 0.6 %       | 24            | 0.7 %       |
| Rebates   | 707                                     | 19.2 %      | 676           | 19.5 %      |
| Chargebacks   | 525                                     | 14.2 %      | 528           | 15.3 %      |
| Distribution fees   | 67                                      | 1.8 %       | 57            | 1.6 %       |
| Total provisions  | 1,483                                   | 40.1 %      | 1,434         | 41.4 %      |
| Net product sales   | 2,213                                   | 59.9 %      | 2,022         | 58.6 %      |
| Other revenues  | 25                                      |             | 24            |             |
| Revenues  | \$ 2,238                                |             | \$ 2,046      |             |

Cash discounts and allowances, returns, rebates, chargebacks and distribution fees as a percentage of gross product sales were 40.1% and 41.4% for the three months ended September 30, 2023 and 2022, respectively, a decrease of 1.3 percentage points due primarily to the following factors:

- returns as a percentage of gross product sales remain below 1% as the Company continues to focus on maximizing operational efficiencies and actions to reduce product returns, including, but not limited to: (i) monitoring and reducing customer inventory levels, (ii) maintaining disciplined pricing policies and (iii) improving contracting. These actions have had the effect of improving the sales return experience;
- rebates as a percentage of gross product sales were lower primarily due to an increase in gross product sales and were offset by higher rebate rates for certain branded products such as Xifaxan<sup>®</sup>, Trulance<sup>®</sup> and Jublia<sup>®</sup>;
- chargebacks as a percentage of gross product sales were lower primarily due to lower gross product sales of certain generic products such as Nifediac and certain branded generics such as Clindagel<sup>®</sup> AG. These decreases were partially offset by: (i) higher chargeback rates for certain generics and branded generics, (ii) increased volumes for our GI product Xifaxan<sup>®</sup> and (iii) increased gross product sales and a higher chargeback rate for our neurology product Librax<sup>®</sup>; and
- distribution service fees as a percentage of gross product sales were higher as the impact of higher volumes for our GI products Xifaxan<sup>®</sup> and Trulance<sup>®</sup> were partially offset by the impact of lower volumes for certain of our

dermatology products such as Retin-A<sup>®</sup> Cream and our GI product Uceris<sup>®</sup> Tablets. Price appreciation credits are offset against distribution service fees when due to wholesalers. There were no price appreciation credits for the three months ended September 30, 2023 and 2022.

## **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 \$612 million and \$573 million for the three months ended September 30, 2023 and 2022, respectively, an increase of \$39 million, or 7%. The increase was primarily driven by: (i) the increase in volumes as previously discussed, and (ii) the unfavorable impact of foreign currencies, partially offset by favorable manufacturing variances.

Cost of goods sold as a percentage of product sales revenue were 27.7% and 28.3% for the three months ended September 30, 2023 and 2022, respectively, a decrease of 0.6 percentage points. Cost of goods sold as a percentage of product sales revenue was unfavorably impacted by: (i) changes in product mix and (ii) the unfavorable impact of foreign currencies, partially offset by: (i) higher net realized pricing, as discussed above and (ii) favorable manufacturing variances.

### ***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 incurred, and expects to continue to incur, incremental costs with respect to the B+L Separation. During 2022, the Company also incurred incremental costs indirectly related to the suspended Solta IPO. These separation-related and IPO-related costs include, but are not limited to: (i) IT infrastructure and software licensing costs, (ii) rebranding costs, (iii) costs associated with facility relocation and/or modification and (iv) research and development costs.

SG&A expenses were \$715 million and \$661 million for the three months ended September 30, 2023 and 2022, respectively, an increase of \$54 million, or 8%. The increase was primarily attributable to higher: (i) selling, advertising and promotion expenses, (ii) professional services and (iii) compensation, partially offset by a decrease in certain administrative expenses.

### ***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 \$153 million and \$133 million for the three months ended September 30, 2023 and 2022, respectively, an increase of \$20 million, or 15%. The increase was primarily attributable to higher spend on certain Salix projects. R&D expenses as a percentage of Product sales were approximately 7% for each of the three months ended September 30, 2023 and 2022.

### ***Amortization of Intangible Assets***

Intangible assets with finite lives are amortized using the straight-line method over their estimated useful lives, generally 1 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 \$253 million and \$290 million for the three months ended September 30, 2023 and 2022, respectively, a decrease of \$37 million. The decrease was primarily attributable to fully amortized intangible assets no longer being amortized in 2023.

See Note 8, "INTANGIBLE ASSETS AND GOODWILL" to our unaudited interim Condensed Consolidated Financial Statements for further details related to 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 \$402 million and \$119 million for the three months ended September 30, 2023 and 2022, respectively, an increase of \$283 million.

*2023 Assessment.* Through the nine months ended September 30, 2023, the Dermatology and Neurology reporting units had performed largely in line with the forecasted results used in their long term forecasts as of September 30, 2022 and October 1, 2022, respectively, when a fair value quantitative test for each of these reporting units was last performed. During the third quarter of 2023, for reasons discussed in Note 8, "INTANGIBLE ASSETS AND GOODWILL" to our unaudited interim Condensed Consolidated Financial Statements, the Company's preliminary assessment of future business performance indicated that the future financial results of these reporting units were expected to be below the assumptions used in their last quantitative fair value tests. After considering the limited headroom as a result of the impairment to goodwill of the Dermatology reporting unit (September 30, 2022) and the Neurology reporting unit (October 1, 2022) when last tested, the Company determined that these changes in facts and circumstances, as well as increases in market interest rates during the three months ended September 30, 2023, suggested that the fair values of these reporting units could be less than their respective carrying amounts, and therefore a quantitative fair value test for each of these reporting units was performed.

The quantitative fair value tests utilized the Company's most recent cash flow projections for the Dermatology and Neurology reporting units as revised in the third quarter of 2023 which reflected current market conditions and current trends in business performance. The quantitative fair value tests utilized long-term growth rates of 0.0% and -2.5% and discount rates of 10.75% and 10.50% for the Dermatology and Neurology reporting units, respectively. Based on the quantitative fair value tests, the carrying values of the Dermatology and Neurology reporting units exceeded their fair values at September 30, 2023 by \$151 million and \$251 million, respectively, and we recognized goodwill impairments of \$402 million.

*2022 Assessment.* As a result of an impairment to the goodwill of the Dermatology reporting unit recognized in second quarter of 2022, the reporting unit had no headroom as calculated on June 30, 2022. We considered the increases in interest rates, higher than expected inflation in the U.S. and other macroeconomic factors which would impact the key assumptions used to value the Dermatology reporting unit at June 30, 2022 (the last time goodwill of the Dermatology reporting unit was tested). We believed these facts and circumstances suggest the fair value of the Dermatology reporting unit could be less than its carrying amount, and therefore a quantitative fair value test was performed for the reporting unit.

The quantitative fair value test utilized the Company's then most recent cash flow projections as revised in the third quarter of 2022 which reflected current market conditions and current trends in business performance. The Company updated revenue assumptions for a certain product and other products reaching LOE and updated its assumptions regarding selling, advertising and promotion investments. The Company also increased the discount rate used in the valuation of the reporting unit from 10.0% utilized in the June 30, 2022 testing to 10.5% utilized in the September 30, 2022 testing which reflected the increases in market interest rates. The Company did not change its long-term growth rate assumption of 1%. Based on the quantitative fair value test, the carrying value of the Dermatology reporting unit exceeded its fair value at September 30, 2022, and we recognized a goodwill impairment of \$119 million.

See Note 8, “INTANGIBLE ASSETS AND GOODWILL” to our unaudited interim Condensed Consolidated Financial Statements and “CRITICAL ACCOUNTING POLICIES AND ESTIMATES” for further details related to our goodwill.

### ***Asset impairments***

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 Condensed Consolidated Statements 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. The Company estimates the fair values of long-lived assets with finite lives using an undiscounted cash flow model which utilizes Level 3 unobservable inputs. The undiscounted cash flow model relies on assumptions regarding revenue growth rates, gross profit, selling, general and administrative expenses and research and development expenses.

Asset impairments were not material for the three months ended September 30, 2023 and 2022.

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

### ***Restructuring, Integration, Separation and IPO Costs***

Restructuring, integration, separation and IPO costs were \$14 million and \$10 million for the three months ended September 30, 2023 and 2022, respectively, an increase of \$4 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 \$12 million and \$3 million for the three months ended September 30, 2023 and 2022, 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 relating to the B+L Separation. In 2022, the Company also incurred costs associated with activities relating to the Solta IPO, which was suspended in June 2022. These B+L Separation and Solta IPO activities include: (i) separating the Bausch + Lomb and, in 2022, Solta Medical businesses from the remainder of the Company, (ii) completing the B+L IPO and, in 2022, preparing for the suspended Solta IPO and (iii) 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, in 2022, 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 Bausch + Lomb. Separation and IPO costs were approximately \$2 million and \$7 million for the three months ended September 30, 2023 and 2022, 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 Condensed Consolidated Financial Statements for further details regarding these actions.

## ***Other Expense, Net***

Other Expense, Net for the three months ended September 30, 2023 and 2022 consists of the following:

| <i>(in millions)</i>                         | <b>Three Months Ended<br/>September 30,</b> |             |
|--|---|-------------|
|  | <b>2023</b>                                 | <b>2022</b> |
| Litigation and other matters                 | \$ 24                                       | \$ —        |
| Acquisition-related contingent consideration | 26  | 4           |
| Gain on sale of assets, net                  | (5)   | —           |
| Acquisition-related transaction costs        | 15  | —           |
|  | <u>\$ 60</u>                                | <u>\$ 4</u> |

Acquisition-related contingent consideration for the three months ended September 30, 2023, primarily includes adjustments for changes in estimates in the timing and amounts of the future royalty and milestone payments related to certain branded products.

Acquisition-related transaction costs for the three months ended September 30, 2023, primarily include transaction costs attributable to the acquisitions of XIIDRA<sup>®</sup> and the Blink<sup>®</sup> Product line by Bausch + Lomb.

## **Non-Operating Income and Expense**

### ***Interest Expense***

Interest expense primarily consists of interest payments due, amortization and write-off of debt discounts, premiums and debt issuance costs under our credit facilities and notes as well as the amortization of amounts excluded from the assessment of hedge effectiveness over the term of the Company's cross-currency swaps.

Interest expense was \$339 million and \$385 million, and included non-cash amortization and write-offs of debt premiums, discounts and deferred issuance costs of \$28 million and \$22 million, for the three months ended September 30, 2023 and 2022, respectively. Interest expense for the three months ended September 30, 2023 decreased \$46 million, or 12%, as compared to the three months ended September 30, 2022, primarily due to the accounting for contractual interest payments on the New Secured Notes, portions of which are recorded as a reduction of related premiums and not as interest expense, which had the impact of reducing interest expense by \$73 million relative to contractual interest cost, partially offset by higher interest rates.

The weighted average stated rate of interest as of September 30, 2023 and 2022 was 8.05% and 7.24%, respectively. The increase in the weighted average stated rate of interest of 81 bps is primarily attributable to the New Secured Notes and higher interest rates on our variable rate debt. Due to the accounting treatment for the New Secured Notes, interest expense in the Company's financial statements will not be representative of the weighted average stated rate of interest.

See Note 10, "FINANCING ARRANGEMENTS" to our unaudited interim Condensed Consolidated Financial Statements and the section titled "— Liquidity and Capital Resources — Liquidity and Debt — Long-term Debt" for further details.

### ***Gain on Extinguishment of Debt***

Gain on extinguishment of debt represents the differences between the amounts paid to settle extinguished debts and the carrying value of the related extinguished debt. There was no gain on extinguishment of debt for the three months ended September 30, 2023. Gain on extinguishment of debt was \$570 million for the three months ended September 30, 2022 and was attributable to the Exchange Offer. See Note 10, "FINANCING ARRANGEMENTS" to our unaudited interim Condensed Consolidated Financial Statements for further details.

## ***Foreign Exchange and Other***

Foreign exchange and other primarily includes: (i) transaction gains/losses on intercompany balances and third-party liabilities and (ii) the gain/loss due to foreign currency exchange contracts.

Foreign exchange and other was a loss of \$7 million for the three months ended September 30, 2023, as compared to a gain of \$7 million for the three months ended September 30, 2022, an unfavorable net change of \$14 million, primarily due to: (i) transaction gains/losses on intercompany balances and third-party liabilities and (ii) the gain/loss due to foreign currency exchange contracts.

## **Income Taxes**

Provision for income taxes was \$56 million and \$36 million for the three months ended September 30, 2023 and 2022, respectively, an unfavorable change of \$20 million.

Our effective income tax rate for the three months ended September 30, 2023 differs from the statutory Canadian income tax rate primarily due to: (i) the tax provision generated from our annualized mix of earnings by jurisdiction, (ii) the recording of valuation allowances on entities for which no tax benefit of losses is expected and (iii) the discrete treatment of certain tax matters, primarily related to changes in uncertain tax positions.

Our effective income tax rate for the three months ended September 30, 2022 differs from the statutory Canadian income tax rate primarily due to: (i) the tax provision generated from our annualized mix of earnings by jurisdiction, (ii) the recording of valuation allowances on entities for which no tax benefit of losses is expected 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) changes to the tax deduction for stock compensation.

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

## **Reportable Segment Revenues and Profits**

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

- ***The Salix segment*** consists of sales in the U.S. of GI products. Sales of the Xifaxan<sup>®</sup> product line represented approximately 80% of the Salix segment’s revenues.
- ***The International segment*** consists of sales, with the exception of sales of Bausch + Lomb products and Solta Medical aesthetic medical devices, outside the U.S. and Puerto Rico of branded pharmaceutical products, branded generic pharmaceutical products and OTC products.
- ***The Solta Medical segment*** consists of global sales of Solta Medical aesthetic medical devices.
- ***The Diversified segment*** consists of sales in the U.S. of: (i) pharmaceutical products in the areas of neurology and certain other therapeutic classes, (ii) dermatology products, (iii) generic pharmaceutical products and (iv) dentistry products.
- ***The Bausch + Lomb segment*** consists of global sales of Bausch + Lomb Vision Care, Surgical and 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 18, “SEGMENT INFORMATION” to our unaudited interim Condensed Consolidated Financial Statements for a reconciliation of segment profit to (Loss) income 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 September 30, 2023 and 2022. The following table also presents segment profits, segment profits as a percentage of segment revenues and the period-over-period changes in segment profits for the three months ended September 30, 2023 and 2022.

| <i>(in millions)</i>                            | <b>Three Months Ended September 30,</b> |              |                 |              |               |             |
|---|---|--------------|-----------------|--------------|---------------|-------------|
|   | <b>2023</b>                             |              | <b>2022</b>     |              | <b>Change</b> |             |
|   | <b>Amount</b>                           | <b>Pct.</b>  | <b>Amount</b>   | <b>Pct.</b>  | <b>Amount</b> | <b>Pct.</b> |
| <b>Segment Revenues</b>                         |   |              |                 |              |               |             |
| Salix   | \$ 614                                  | 27 %         | \$ 544          | 27 %         | \$ 70         | 13 %        |
| International                                   | 275                                     | 12 %         | 250             | 12 %         | 25            | 10 %        |
| Solta Medical                                   | 83                                      | 4 %          | 72              | 4 %          | 11            | 15 %        |
| Diversified                                     | 259                                     | 12 %         | 238             | 12 %         | 21            | 9 %         |
| Bausch + Lomb                                   | 1,007                                   | 45 %         | 942             | 45 %         | 65            | 7 %         |
| Total revenues                                  | <u>\$ 2,238</u>                         | <u>100 %</u> | <u>\$ 2,046</u> | <u>100 %</u> | <u>\$ 192</u> | <u>9 %</u>  |
| <b>Segment Profits / Segment Profit Margins</b> |   |              |                 |              |               |             |
| Salix   | \$ 429                                  | 70 %         | \$ 391          | 72 %         | \$ 38         | 10 %        |
| International                                   | 91                                      | 33 %         | 85              | 34 %         | 6             | 7 %         |
| Solta Medical                                   | 33                                      | 40 %         | 33              | 46 %         | —             | — %         |
| Diversified                                     | 172                                     | 66 %         | 151             | 63 %         | 21            | 14 %        |
| Bausch + Lomb                                   | 244                                     | 24 %         | 226             | 24 %         | 18            | 8 %         |
| Total segment profits                           | <u>\$ 969</u>                           | <u>43 %</u>  | <u>\$ 886</u>   | <u>43 %</u>  | <u>\$ 83</u>  | <u>9 %</u>  |

*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 (non-GAAP) and change in organic revenue (non-GAAP), are defined as GAAP Revenue and change in GAAP revenue (the most directly comparable GAAP financial measures), adjusted for changes in foreign currency exchange rates (if applicable) and excluding the impact of recent acquisitions, divestitures and discontinuations, as defined 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 change in organic revenue (non-GAAP) to assess performance of its reportable segments, and the Company in total. 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 business. The impact of 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 revenue (non-GAAP) growth/change 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 and organic growth/change exclude from the current period, 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 and change in organic revenue exclude from the prior 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.

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 September 30, 2023 and 2022 by segment.

| <i>(in millions)</i> | Three Months Ended September 30, 2023 |                           |                |                            | Three Months Ended September 30, 2022 |                                   |                            | Change in Organic Revenue (Non-GAAP) |            |
|----------------------|---------------------------------------|---------------------------|----------------|----------------------------|---------------------------------------|-----------------------------------|----------------------------|--------------------------------------|------------|
|                      | Revenue as Reported                   | Changes in Exchange Rates | Acquisitions   | Organic Revenue (Non-GAAP) | Revenue as Reported                   | Divestitures and Discontinuations | Organic Revenue (Non-GAAP) | Amount                               | Pct.       |
| Salix                | \$ 614                                | \$ —                      | \$ —           | \$ 614                     | \$ 544                                | \$ —                              | \$ 544                     | \$ 70                                | 13 %       |
| International        | 275                                   | (17)                      | —              | 258                        | 250                                   | (1)                               | 249                        | 9                                    | 4 %        |
| Solta Medical        | 83                                    | 1                         | —              | 84                         | 72                                    | —                                 | 72                         | 12                                   | 17 %       |
| Diversified          | 259                                   | —                         | —              | 259                        | 238                                   | —                                 | 238                        | 21                                   | 9 %        |
| Bausch + Lomb        | 1,007                                 | 10                        | (15)           | 1,002                      | 942                                   | (3)                               | 939                        | 63                                   | 7 %        |
| Total                | <u>\$ 2,238</u>                       | <u>\$ (6)</u>             | <u>\$ (15)</u> | <u>\$ 2,217</u>            | <u>\$ 2,046</u>                       | <u>\$ (4)</u>                     | <u>\$ 2,042</u>            | <u>\$ 175</u>                        | <u>9 %</u> |

Salix Segment:

*Salix Segment Revenue*

The Salix segment includes our Xifaxan<sup>®</sup> product line. Revenues from our Xifaxan<sup>®</sup> product line accounted for approximately 80% of the Salix segment revenues for each of the three months ended September 30, 2023 and 2022. No other single product group represents 10% or more of the Salix segment product sales. Salix segment revenue for the three months ended September 30, 2023 and 2022 was \$614 million and \$544 million, respectively, an increase of \$70 million, or 13%. The increase is primarily attributable to increases in: (i) volumes of \$45 million, primarily driven by wholesaler stocking patterns associated with certain products including Xifaxan<sup>®</sup> and (ii) net realized pricing of \$25 million.

*Salix Segment Profit*

The Salix segment profit for the three months ended September 30, 2023 and 2022 was \$429 million and \$391 million, respectively, an increase of \$38 million, or 10%. The increase was primarily driven by an increase in contribution attributable to the increase in revenues, as previously discussed, partially offset by higher: (i) R&D expenses, including expenses for our global RED-C program, as previously discussed, (ii) advertising and promotion primarily due to increased Xifaxan<sup>®</sup> investments and (iii) selling expenses.

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 \$275 million and \$250 million for the three months ended September 30, 2023 and 2022, respectively, an increase of \$25 million, or 10%. The increase was primarily attributable to: (i) the favorable impact of foreign currencies of \$17 million and (ii) an increase in net realized pricing of \$12 million, partially offset by: (i) a decrease in volumes of \$3 million and (ii) the impact of divestitures and discontinuations of \$1 million.

*International Segment Profit*

The International segment profit for the three months ended September 30, 2023 and 2022 was \$91 million and \$85 million, respectively, an increase of \$6 million, or 7%. The increase was primarily driven by: (i) lower manufacturing variances and (ii) the favorable impact of foreign currencies, partially offset by the increase in advertising and promotion.

Solta Medical Segment:

*Solta Medical Segment Revenue*

The Solta Medical segment includes the Thermage<sup>®</sup> product line, which accounted for approximately 84% and 81% of the Solta Medical segment revenues for the three months ended September 30, 2023 and 2022, respectively. The Solta Medical segment revenue for the three months ended September 30, 2023 and 2022 was \$83 million and \$72 million, respectively, an increase of \$11 million, or 15%. The increase was primarily attributable to: (i) an increase in volumes of \$10 million and (ii) an increase in net realized pricing of \$2 million, partially offset by the unfavorable impact of foreign currencies of \$1 million. The increase in volumes is attributable in part to the impact of the COVID-19 pandemic restrictions in China for the three months ended September 30, 2022.

### *Solta Medical Segment Profit*

The Solta Medical segment profit for each of the three months ended September 30, 2023 and 2022 was \$33 million. Segment profit was flat as the increase in revenues was offset by the impact of increased selling, general and administrative expenses.

### *Diversified Segment:*

#### *Diversified Segment Revenue*

The Diversified segment revenue for the three months ended September 30, 2023 and 2022 was \$259 million and \$238 million, respectively, an increase of \$21 million, or 9%. The increase was primarily driven by increased net realized pricing of \$37 million, in our Dermatology, Generics and Neurology businesses, partially offset by decrease in volumes of \$16 million.

#### *Diversified Segment Profit*

The Diversified segment profit for the three months ended September 30, 2023 and 2022 was \$172 million and \$151 million, respectively, an increase of \$21 million, or 14%. The increase was primarily driven by higher contribution attributable to the increase in revenues, as previously discussed, partially offset by higher advertising and promotion expenses.

### *Bausch + Lomb Segment:*

#### *Bausch + Lomb Segment Revenue*

The Bausch + Lomb segment revenue was \$1,007 million and \$942 million for the three months ended September 30, 2023 and 2022, respectively, an increase of \$65 million, or 7%. The increase was attributable to: (i) an increase in volumes of \$41 million, across all the Bausch + Lomb businesses, (ii) an increase in net realized pricing of \$22 million primarily driven by the Vision Care business and (iii) incremental sales attributable to acquisitions of \$15 million, primarily driven by the acquisition of the Blink<sup>®</sup> Product Line in July 2023, partially offset by: (i) the unfavorable impact of foreign currencies of \$10 million, primarily in Asia and (ii) the impact of divestitures and discontinuations of \$3 million.

#### *Bausch + Lomb Segment Profit*

The Bausch + Lomb segment profit for the three months ended September 30, 2023 and 2022 was \$244 million and \$226 million, respectively, an increase of \$18 million, or 8%. The increase was primarily driven by higher contribution, attributable to the increase in volume and pricing, as previously discussed, partially offset by an increase in selling expenses and advertising and promotion expenses due to product launches during the quarter.

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

#### **Revenues**

Our revenue was \$6,349 million and \$5,931 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of \$418 million, or 7%. The increase was primarily due to: (i) an increase in volumes of \$297 million attributable to our Bausch + Lomb, Salix, Solta Medical and International segments, (ii) an increase in net realized pricing of \$168 million across all our segments and (iii) incremental sales attributable to acquisitions of \$19 million, partially offset by: (i) the unfavorable impact of foreign currencies of \$51 million, primarily in Asia and Europe and (ii) the impact of divestitures and discontinuations of \$15 million.

The changes in our segment revenues and segment profits for the nine months ended September 30, 2023, 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 nine months ended September 30, 2023 and 2022 were as follows:

| <i>(in millions)</i>  | <b>Nine Months Ended September 30,</b> |             |                 |             |
|---|--|-------------|-----------------|-------------|
|   | <b>2023</b>                            |             | <b>2022</b>     |             |
|   | <b>Amount</b>                          | <b>Pct.</b> | <b>Amount</b>   | <b>Pct.</b> |
| Gross product sales   | \$ 10,616                              | 100.0 %     | \$ 10,001       | 100.0 %     |
| Provisions to reduce gross product sales to net product sales |  |             |                 |             |
| Discounts and allowances                                      | 457                                    | 4.3 %       | 427             | 4.3 %       |
| Returns   | 103                                    | 1.0 %       | 84              | 0.8 %       |
| Rebates   | 2,071                                  | 19.5 %      | 1,912           | 19.1 %      |
| Chargebacks   | 1,514                                  | 14.2 %      | 1,556           | 15.6 %      |
| Distribution fees   | 190                                    | 1.8 %       | 165             | 1.6 %       |
| Total provisions  | 4,335                                  | 40.8 %      | 4,144           | 41.4 %      |
| Net product sales   | 6,281                                  | 59.2 %      | 5,857           | 58.6 %      |
| Other revenues  | 68                                     |             | 74              |             |
| Revenues  | <u>\$ 6,349</u>                        |             | <u>\$ 5,931</u> |             |

Cash discounts and allowances, returns, rebates, chargebacks and distribution fees as a percentage of gross product sales were 40.8% and 41.4% for the nine months ended September 30, 2023 and 2022, respectively, a decrease of 0.6 percentage points and includes:

- discounts and allowances as a percentage of gross product sales were unchanged primarily due to increases in gross product sales of certain branded products such as Xifaxan<sup>®</sup> and Trulance<sup>®</sup> and our branded generic Diastat<sup>®</sup> AG;
- returns were higher primarily due to reductions in 2022 of the estimates of variable consideration for sales returns related to past sales. The Company continues to focus on maximizing operational efficiencies and actions to reduce product returns, including, but not limited to: (i) monitoring and reducing customer inventory levels, (ii) maintaining disciplined pricing policies and (iii) improving contracting. These actions have had the effect of improving the sales return experience;
- 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<sup>®</sup>, Trulance<sup>®</sup>, Jublia<sup>®</sup> and Arazlo<sup>®</sup>, partially offset by lower gross product sales for certain branded products such as Retin-A<sup>®</sup> Microsphere .06%, Retin-A<sup>®</sup> Cream and Retin-A<sup>®</sup> Microsphere .08%;
- chargebacks as a percentage of gross product sales were lower primarily due to lower gross product sales of certain generic products such as Nifediac and certain branded generics such as Apriso<sup>®</sup> AG, Targretin<sup>®</sup> AG, Syprine<sup>®</sup> AG and Cuprimine<sup>®</sup> AG. These decreases were partially offset by: (i) increased gross product sales of our GI products Xifaxan<sup>®</sup> and Glumetza<sup>®</sup> SLX and (ii) higher chargeback rates for certain generics and branded generics; and
- distribution service fees as a percentage of gross product sales were higher primarily due to higher gross product sales of certain branded products such as Xifaxan<sup>®</sup> and Trulance<sup>®</sup>. Price appreciation credits are offset against distribution service fees when due to wholesalers. There were no price appreciation credits for the nine months ended September 30, 2023 and 2022.

### Expenses

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

Cost of goods sold was \$1,824 million and \$1,677 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of \$147 million, or 9%. The increase was primarily driven by: (i) the increase in volumes as previously discussed, and (ii) charges related to the Injector recall, as discussed below, partially offset by: (i) lower manufacturing variances and (ii) the favorable impact of foreign currencies.

Cost of goods sold as a percentage of product sales revenue was 29.0% and 28.6% for the nine months ended September 30, 2023 and 2022, respectively, an increase of 0.4 percentage points. Costs of goods sold as a percentage of Product sales revenue was unfavorably impacted by: (i) changes in product mix and (ii) inflationary pressures, partially offset by higher net realized pricing, as discussed above.

In May 2023 we initiated a voluntary recall in EMEA and Canada of our Emerade epinephrine auto-injectors (0.3 mg and 0.5 mg) (the “Injector”) used to deliver an emergency treatment of epinephrine to patients who are at risk of serious allergic reactions (anaphylaxis). The recall resulted in inventory provisions of approximately \$9 million, product return provisions of approximately \$2 million and other costs of approximately \$3 million for the nine months ended September 30, 2023. It is possible that additional charges may be incurred based on future developments associated with this voluntary recall.

### ***Selling, General and Administrative Expenses***

SG&A expenses were \$2,151 million and \$1,959 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of \$192 million, or 10%. The increase was primarily attributable to higher: (i) compensation, (ii) selling, advertising and promotion expenses and (iii) certain administrative expenses. These increases were partially offset by: (i) lower professional fees associated with the separation of certain functions in connection with the B+L Separation and (ii) the favorable impact of foreign currencies.

### ***Research and Development***

R&D expenses were \$452 million and \$387 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of \$65 million, or 17%. R&D expenses as a percentage of Product sales were approximately 7% for each of the nine months ended September 30, 2023 and 2022. The increase was primarily due to higher spend on certain Salix projects.

### ***Amortization of Intangible Assets***

Amortization of intangible assets was \$795 million and \$902 million for the nine months ended September 30, 2023 and 2022, respectively, a decrease of \$107 million, or 12%. The decrease was primarily attributable to fully amortized intangible assets no longer being amortized in 2023.

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

### ***Goodwill Impairments***

Goodwill impairments were \$402 million and \$202 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of \$200 million.

*2023 Assessment.* Through the nine months ended September 30, 2023, the Dermatology and Neurology reporting units had performed largely in line with the forecasted results used in their long term forecasts as of September 30, 2022 and October 1, 2022, respectively, when a fair value quantitative test for each of these reporting units was last performed. During the third quarter, we continued to monitor the market conditions impacting the Dermatology and Neurology reporting units and determined that facts and circumstances suggest the fair value of the Dermatology and Neurology reporting units could be less than their respective carrying amounts, and therefore a quantitative fair value test was performed for each of these reporting units. Based on the quantitative fair value tests, the carrying values of the Dermatology and Neurology reporting units exceeded their fair values at September 30, 2023 by \$151 million and \$251 million, respectively, and accordingly, we recognized goodwill impairments of \$402 million in the third quarter of 2023.

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

The quantitative fair value test utilized the Company’s then most recent cash flow projections as revised in the second quarter of 2022 which reflected current market conditions and current trends in business performance. Our latest discounted cash flow model for the Dermatology reporting unit included 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 increased 1% since the assessment performed at March 31, 2022, as a result of changes in

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 Dermatology reporting unit exceeded its fair value at June 30, 2022, and we recognized a goodwill impairment of \$83 million.

During the third quarter of 2022 we continued to monitor the market conditions impacting the Dermatology reporting unit and determined that facts and circumstances suggest the fair value of the Dermatology reporting unit could be less than its carrying amount, and therefore a quantitative fair value test was performed for the reporting unit. Based on the quantitative fair value test, the carrying value of the Dermatology reporting unit exceeded its fair value at September 30, 2022, and we recognized a goodwill impairment of \$119 million.

See Note 8, “INTANGIBLE ASSETS AND GOODWILL” to our unaudited interim Condensed Consolidated Financial Statements and “CRITICAL ACCOUNTING POLICIES AND ESTIMATES” for further details related to our goodwill.

### ***Asset impairments***

Asset impairments were \$54 million and \$15 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of \$39 million. Asset impairments for the nine months ended September 30, 2023 includes: (i) \$37 million related to the impairment to the intangible assets associated with our Uceris<sup>®</sup> Foam product as discussed below, (ii) impairments of \$8 million, in aggregate, attributable to certain trade names no longer in use and (iii) impairments of \$9 million, in aggregate related to the discontinuance of certain product lines.

*Uceris<sup>®</sup> Foam* - On April 12, 2023, the FDA approved an ANDA submitted by a competitor, for a budesonide (a steroid (cortisone-like) medicine) foam to help treat mild to moderate active ulcerative colitis. This product is a generic version of our Uceris<sup>®</sup> Foam product. As of June 30, 2023, the carrying value of the Uceris<sup>®</sup> Foam product related intangible assets exceeded the undiscounted expected cash flows from the Uceris<sup>®</sup> Foam. As a result, the Company recognized an impairment of \$37 million to reduce the carrying value of the Uceris<sup>®</sup> Foam product related intangible assets to their estimated fair value.

Asset impairments for the nine months ended September 30, 2022 include: (i) impairments of \$10 million, in aggregate, due to decreases in forecasted sales of certain product lines and (ii) impairments of \$5 million, in aggregate, related to the discontinuance of certain product lines.

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

### ***Restructuring, Integration, Separation and IPO Costs***

Restructuring, integration, separation and IPO costs were \$40 million and \$58 million for the nine months ended September 30, 2023 and 2022, respectively, a decrease of \$18 million.

#### ***Restructuring and Integration Costs***

Restructuring and integration costs were \$37 million and \$28 million for the nine months ended September 30, 2023 and 2022, 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***

Separation and IPO costs were \$3 million and \$30 million for the nine months ended September 30, 2023 and 2022, 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 Condensed Consolidated Financial Statements for further details regarding these actions.

## ***Other Expense, Net***

Other expense, net for the nine months ended September 30, 2023 and 2022 consists of the following:

| <i>(in millions)</i>                               | <b>Nine Months Ended<br/>September 30,</b> |             |
|--|--|-------------|
|  | <b>2023</b>                                | <b>2022</b> |
| Litigation and other matters                       | \$ (55)                                    | \$ 7        |
| Acquisition-related contingent consideration       | 40   | 2           |
| Gain on sale of assets, net                        | (4)  | (3)         |
| Acquired in-process research and development costs | —  | 1           |
| Acquisition-related transaction costs              | 18   | —           |
| Other, net   | 1  | (1)         |
|  | <u>\$ —</u>                                | <u>\$ 6</u> |

For the nine months ended September 30, 2023, the Litigation and other matters primarily relates to insurance recoveries associated with certain legacy litigation matters.

As a result of revisions to an existing royalty agreement of certain branded products during the nine months ended September 30, 2023, the Company has revised its long-term sales forecast for those products. Acquisition-related contingent consideration for the nine months ended September 30, 2023, primarily includes adjustments for changes in estimates in the timing and amounts of the future royalty and milestone payments related to those branded products.

Acquisition-related transaction costs for the nine months ended September 30, 2023, primarily include transaction costs attributable to the acquisitions of XIIDRA<sup>®</sup> and the Blink<sup>®</sup> Product line by Bausch + Lomb.

### **Non-Operating Income and Expense**

#### ***Interest Expense***

Interest expense was \$965 million and \$1,157 million and included non-cash amortization and write-offs of debt premiums, discounts and deferred issuance costs of \$51 million and \$86 million for the nine months ended September 30, 2023 and 2022, respectively. Interest expense decreased \$192 million, or 17%, primarily due to the accounting for contractual interest payments on the New Secured Notes, portions of which are recorded as a reduction of related premiums and not as interest expense, which had the impact of reducing interest expense by \$221 million relative to contractual interest cost, partially offset by higher interest rates.

The weighted average stated rate of interest as of September 30, 2023 and 2022 was 8.05% and 7.24%, respectively. The increase in the weighted average stated rate of interest of 81 bps is primarily attributable to the New Secured Notes and higher interest rates on our variable rate debt. Due to the accounting treatment for the New Secured Notes, interest expense in the Company's financial statements will not be representative of the weighted average stated rate of interest.

#### ***Gain on Extinguishment of Debt***

There was no gain on extinguishment of debt for the nine months ended September 30, 2023. Gain on extinguishment of debt was \$683 million for the nine months ended September 30, 2022.

The gain on extinguishment of debt for the nine months ended September 30, 2022 includes: (i) the gain associated with the Exchange Offer of \$570 million and (ii) the gains associated with the early retirement of certain senior unsecured notes of \$176 million 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 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.

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

### ***Foreign Exchange and Other***

Foreign exchange and other was a loss of \$38 million for the nine months ended September 30, 2023, as compared to a gain of \$4 million for the nine months ended September 30, 2022, an unfavorable net change of \$42 million, primarily due to: (i) transaction gains/losses on intercompany balances and third-party liabilities and (ii) the gain/loss due to foreign currency exchange contracts.

### ***Income Taxes***

Provision for income taxes was \$181 million and \$30 million for the nine months ended September 30, 2023 and 2022, respectively, an unfavorable change of \$151 million. Our effective income tax rate for the nine months ended September 30, 2023 differs from the statutory Canadian income tax rate primarily due to: (i) the recording of valuation allowances on entities for which no tax benefit of losses is expected, (ii) the tax provision generated from our annualized mix of earnings by jurisdiction and (iii) the discrete treatment of certain tax matters, primarily related to: (a) final and potential settlements of various tax audits accrued in the nine months ended September 30, 2023, (b) changes in uncertain tax positions, (c) income tax expense associated with the establishment of a valuation allowance against deferred tax assets of B+L’s Canadian parent and (d) income tax expense associated with stock compensation.

Our effective income tax rate for the nine months ended September 30, 2022 differs from the statutory Canadian income tax rate primarily due to: (i) the tax provision generated from our annualized mix of earnings by jurisdiction, (ii) the recording of valuation allowances on entities for which no tax benefit of losses is expected and (iii) the discrete treatment of certain tax matters, primarily related to: (a) a net income tax benefit associated with certain legal settlements, (b) changes in uncertain tax positions, (c) the tax provision related to potential and recognized withholding tax on intercompany dividends, (d) adjustments for book to income tax return provisions and (e) income tax expense associated with stock compensation.

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

## Reportable Segment Revenues and Profits

The following table presents segment revenues, segment revenues as a percentage of total revenues, and the year-over-year changes in segment revenues for the nine months ended September 30, 2023 and 2022. 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 nine months ended September 30, 2023 and 2022.

| <i>(in millions)</i>    | Nine Months Ended September 30, |              |                 |              |               |            |
|-------------------------|---------------------------------|--------------|-----------------|--------------|---------------|------------|
|                         | 2023                            |              | 2022            |              | Change        |            |
|                         | Amount                          | Pct.         | Amount          | Pct.         | Amount        | Pct.       |
| <b>Segment Revenues</b> |                                 |              |                 |              |               |            |
| Salix                   | \$ 1,667                        | 26 %         | \$ 1,509        | 25 %         | \$ 158        | 10 %       |
| International           | 781                             | 12 %         | 727             | 12 %         | 54            | 7 %        |
| Solta Medical           | 244                             | 4 %          | 201             | 3 %          | 43            | 21 %       |
| Diversified             | 684                             | 11 %         | 722             | 13 %         | (38)          | (5)%       |
| Bausch + Lomb           | 2,973                           | 47 %         | 2,772           | 47 %         | 201           | 7 %        |
| Total revenues          | <u>\$ 6,349</u>                 | <u>100 %</u> | <u>\$ 5,931</u> | <u>100 %</u> | <u>\$ 418</u> | <u>7 %</u> |

| <b>Segment Profits / Segment Profit Margins</b> |                 |             |                 |             |               |            |
|---|-----------------|-------------|-----------------|-------------|---------------|------------|
| Salix   | \$ 1,129        | 68 %        | \$ 1,067        | 71 %        | \$ 62         | 6 %        |
| International                                   | 236             | 30 %        | 242             | 33 %        | (6)           | (2)%       |
| Solta Medical                                   | 114             | 47 %        | 88              | 44 %        | 26            | 30 %       |
| Diversified                                     | 417             | 61 %        | 450             | 62 %        | (33)          | (7)%       |
| Bausch + Lomb                                   | 699             | 24 %        | 640             | 23 %        | 59            | 9 %        |
| Total segment profits                           | <u>\$ 2,595</u> | <u>41 %</u> | <u>\$ 2,487</u> | <u>42 %</u> | <u>\$ 108</u> | <u>4 %</u> |

The following table presents organic revenue (non-GAAP) and the year-over-year changes in organic revenue (non-GAAP) for the nine months ended September 30, 2023 and 2022 by segment. Organic revenues (non-GAAP) and organic growth (non-GAAP) rates are defined in the previous section titled “Reportable Segment Revenues and Profits”.

| <i>(in millions)</i> | Nine Months Ended September 30, 2023 |                           |                |                            | Nine Months Ended September 30, 2022 |                                   |                            | Change in Organic Revenue (Non-GAAP) |            |
|----------------------|--------------------------------------|---------------------------|----------------|----------------------------|--------------------------------------|-----------------------------------|----------------------------|--------------------------------------|------------|
|                      | Revenue as Reported                  | Changes in Exchange Rates | Acquisitions   | Organic Revenue (Non-GAAP) | Revenue as Reported                  | Divestitures and Discontinuations | Organic Revenue (Non-GAAP) | Amount                               | Pct.       |
|                      | Salix                                | \$ 1,667                  | \$ —           | \$ —                       | \$ 1,667                             | \$ 1,509                          | \$ —                       | \$ 1,509                             | \$ 158     |
| International        | 781                                  | (15)                      | —              | 766                        | 727                                  | (8)                               | 719                        | 47                                   | 7 %        |
| Solta Medical        | 244                                  | 7                         | —              | 251                        | 201                                  | —                                 | 201                        | 50                                   | 25 %       |
| Diversified          | 684                                  | —                         | —              | 684                        | 722                                  | —                                 | 722                        | (38)                                 | (5)%       |
| Bausch + Lomb        | 2,973                                | 59                        | (19)           | 3,013                      | 2,772                                | (7)                               | 2,765                      | 248                                  | 9 %        |
| Total                | <u>\$ 6,349</u>                      | <u>\$ 51</u>              | <u>\$ (19)</u> | <u>\$ 6,381</u>            | <u>\$ 5,931</u>                      | <u>\$ (15)</u>                    | <u>\$ 5,916</u>            | <u>\$ 465</u>                        | <u>8 %</u> |

### Salix Segment:

#### *Salix Segment Revenue*

The Salix segment includes the Xifaxan<sup>®</sup> product line. Revenues from our Xifaxan<sup>®</sup> product line accounted for approximately 80% of the Salix segment revenues for each of the nine months ended September 30, 2023 and 2022. No other single product group represents 10% or more of the Salix segment product sales. The Salix segment revenue for the nine months ended September 30, 2023 and 2022 was \$1,667 million and \$1,509 million, respectively, an increase of \$158 million, or 10%. The increase was primarily attributable to increases in: (i) volumes of \$119 million, which reflected growth and underlying demand as well as the impact of a benefit in the third quarter from wholesaler stocking patterns associated with certain products including Xifaxan<sup>®</sup> and (ii) net realized pricing of \$39 million.

### *Salix Segment Profit*

The Salix segment profit for the nine months ended September 30, 2023 and 2022 was \$1,129 million and \$1,067 million, respectively, an increase of \$62 million, or 6%. The increase was primarily driven by an increase in contribution attributable to the increase in revenues, as previously discussed, partially offset by higher: (i) R&D expenses, including for our global RED-C program, as previously discussed, (ii) advertising and promotion, primarily due to increased Xifaxan<sup>®</sup> investments and (iii) selling expenses.

### *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 \$781 million and \$727 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of \$54 million, or 7%. The increase was primarily attributable to: (i) an increase in net realized pricing of \$34 million, (ii) the favorable impact of foreign currencies of \$15 million and (iii) an increase in volumes of \$13 million, partially offset by the impact of divestitures and discontinuations of \$8 million. Revenues for the nine months ended September 30, 2022, also reflect charges of \$13 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 in distributors.

#### *International Segment Profit*

The International segment profit for the nine months ended September 30, 2023 and 2022 was \$236 million and \$242 million, respectively, a decrease of \$6 million, or 2%. The decrease was primarily attributable to an increase in: (i) advertising and promotion expenses and (ii) selling expenses, partially offset by: (i) lower manufacturing variances and (ii) the favorable impact of foreign currencies.

### *Solta Medical Segment:*

#### *Solta Medical Segment Revenue*

The Solta Medical segment includes the Thermage<sup>®</sup> product line, which accounted for approximately 82% and 76% of the Solta Medical segment revenues for the nine months ended September 30, 2023 and 2022, respectively. No other single product group represents 10% or more of the Solta Medical segment revenues. The Solta Medical segment revenue for the nine months ended September 30, 2023 and 2022 was \$244 million and \$201 million, respectively, an increase of \$43 million, or 21%. The increase was attributable to: (i) an increase in volumes of \$46 million and (ii) an increase in net realized pricing of \$4 million, partially offset by the unfavorable impact of foreign currencies of \$7 million. The increase in volumes is attributable in part to the impact of the COVID-19 pandemic restrictions in China for the nine months ended September 30, 2022, on our revenues for the Asia-Pacific region.

#### *Solta Medical Segment Profit*

The Solta Medical segment profit for the nine months ended September 30, 2023 and 2022 was \$114 million and \$88 million, respectively, an increase of \$26 million, or 30%. The increase is driven by the increase in contribution attributable to the increase in revenues as previously discussed, partially offset by: (i) the unfavorable impact of foreign currencies and (ii) higher selling expenses.

### *Diversified Segment:*

#### *Diversified Segment Revenue*

The Diversified segment revenue for the nine months ended September 30, 2023 and 2022 was \$684 million and \$722 million, respectively, a decrease of \$38 million, or 5%. The decrease was primarily driven by decrease in volumes of \$48 million, primarily in our Neurology and Dermatology businesses, partially offset by an increase in net realized pricing of \$10 million, primarily in our Dermatology and Neurology businesses.

#### *Diversified Segment Profit*

The Diversified segment profit for the nine months ended September 30, 2023 and 2022 was \$417 million and \$450 million, respectively, a decrease of \$33 million, or 7% and was primarily driven by lower contribution attributable to the net decrease in revenues, as previously discussed, partially offset by lower: (i) selling, general and administrative expenses and (ii) advertising and promotion expenses.

## Bausch + Lomb Segment:

### *Bausch + Lomb Segment Revenue*

The Bausch + Lomb segment revenue was \$2,973 million and \$2,772 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of \$201 million, or 7.0%. The increase was primarily attributable to: (i) an increase in volumes of \$167 million across all the Bausch + Lomb businesses, (ii) an increase in net realized pricing of \$81 million, primarily driven by the Vision Care business and (iii) incremental sales attributable to acquisitions of \$19 million, primarily driven by the acquisition of the Blink<sup>®</sup> Product Line in July 2023. The increase in revenue was partially offset by: (i) the unfavorable impact of foreign currencies of \$59 million, primarily in Asia and Europe and (ii) the impact of divestitures and discontinuations of \$7 million.

### *Bausch + Lomb Segment Profit*

The Bausch + Lomb segment profit for the nine months ended September 30, 2023 and 2022 was \$699 million and \$640 million, respectively, an increase of \$59 million, or 9%. The increase was primarily driven by higher contribution, attributable to the increase in revenues, as previously discussed, partially offset by: (i) increased cost of goods sold, driven by inflationary pressures and higher manufacturing ramp-up costs of Daily SiHy lenses during the first half of 2023, (ii) selling expenses attributable to increased distribution costs and (iii) higher advertising and promotion expenses.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Cash Flows**

| <i>(in millions)</i>   | <b>Nine Months Ended September 30,</b> |               |               |
|--|--|---------------|---------------|
|  | <b>2023</b>                            | <b>2022</b>   | <b>Change</b> |
| Net (loss) income  | \$ (564)                               | \$ 198        | \$ (762)      |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities            | 1,618                                  | (1,027)       | 2,645         |
| Cash provided by (used in) operating activities before changes in operating assets and liabilities | 1,054                                  | (829)         | 1,883         |
| Changes in operating assets and liabilities  | (412)                                  | (374)         | (38)          |
| Net cash provided by (used in) operating activities  | 642                                    | (1,203)       | 1,845         |
| Net cash used in investing activities  | (1,997)                                | (167)         | (1,830)       |
| Net cash provided by (used in) financing activities  | 1,554                                  | (198)         | 1,752         |
| Effect of exchange rate changes on cash, cash equivalents and other                                | (10)                                   | (54)          | 44            |
| Net increase (decrease) in cash, cash equivalents, restricted cash and other settlement deposits   | 189                                    | (1,622)       | 1,811         |
| Cash, cash equivalents, restricted cash and other settlement deposits, beginning of period         | 591                                    | 2,119         | (1,528)       |
| Cash, cash equivalents, restricted cash and other settlement deposits, end of period               | <u>\$ 780</u>                          | <u>\$ 497</u> | <u>\$ 283</u> |

### ***Operating Activities***

Net cash provided by operating activities was \$642 million for the nine months ended September 30, 2023, as compared to net cash used in operating activities of \$1,203 million for the nine months ended September 30, 2022, an increase of \$1,845 million. The increase was attributable to the increase in Cash provided by operating activities before changes in operating assets and liabilities, partially offset by the reduction in cash from Changes in operating assets and liabilities.

Cash provided by operating activities before changes in operating assets and liabilities was \$1,054 million for the nine months ended September 30, 2023 as compared to cash used in operating activities before changes in operating assets and liabilities of \$829 million for the nine months ended September 30, 2022, an increase of \$1,883 million. The increase is primarily attributable to: (i) a decrease in payments of accrued legal settlements related to the Securities Class Action Settlement, the Glumetza Antitrust Litigation and a RICO class action matter paid during 2022, (ii) insurance recoveries regarding certain legacy litigation matters received in 2023, (iii) changes in business performance and (iv) lower payments of interest included in Operating activities as, due to the accounting treatment for the Exchange Offer, the portion of contractual interest payments on the New Secured Notes which reduce the premium on the New Secured Notes is reported as a Financing activity. During the nine months ended September 30, 2023, contractual interest payments on the New Secured Notes allocated to the reduction of the recorded premium were \$174 million and are included in Cash flows from financing activities.

Changes in operating assets and liabilities resulted in a net decrease in cash of \$412 million for the nine months ended September 30, 2023, as compared to \$374 million for the nine months ended September 30, 2022, a decrease of \$38 million. During the nine months ended September 30, 2023, Changes in operating assets and liabilities were negatively impacted by: (i) an increase in inventories of \$222 million, (ii) increases in trade receivables of \$176 million and (iii) the timing of other payments in the ordinary course of business of \$14 million. During the nine months ended September 30, 2022, Changes in operating assets and liabilities were negatively impacted by: (i) an increase in inventories of \$194 million, (ii) the timing of other payments in the ordinary course of business of \$154 million, driven in part by the impact of the interest payments made on September 30, 2022 associated with the notes tendered in the Exchange Offer and (iii) increases in trade receivables of \$26 million.

### ***Investing Activities***

Net cash used in investing activities was \$1,997 million for the nine months ended September 30, 2023 and was primarily driven by payments of \$1,887 million related to the XIIDRA Acquisition, the acquisition of the Blink<sup>®</sup> Product Line and the acquisition of AcuFocus, each as previously discussed, and purchases of property, plant and equipment of \$117 million.

Net cash used in investing activities was \$167 million for the nine months ended September 30, 2022 and was primarily driven by Purchases of property, plant and equipment of \$152 million.

### ***Financing Activities***

Net cash provided by financing activities was \$1,554 million for the nine months ended September 30, 2023 and was primarily driven (i) the issuance of long-term debt, net of \$3,145 million, related to the B+L October 2028 Secured Notes and the B+L September 2028 Term Loan B Facility of \$1,870 million, as discussed below, and borrowings under our Revolving Credit Facility of \$615 million, (ii) borrowings under the AR Credit Facility of \$350 million and (iii) borrowings under the B+L Revolving Credit Facility of \$310 million, partially offset by the repayment of long-term debt of \$1,507 million which includes the repayment of \$1,220 million of amounts outstanding under our 2027 Revolving Credit Facility and B+L Revolving Credit Facility, the \$174 million of contractual interest payments on the New Secured Notes allocated to the reduction of the recorded premiums, as discussed above, and payments of \$113 million on the Term Loan B Facilities.

Net cash used in financing activities was \$198 million for the nine months ended September 30, 2022 and was primarily driven by: (i) the issuance of long-term debt, net of discounts, of \$6,481 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 \$7,224 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 unsecured notes in the open market with an aggregate par value of \$481 million for approximately \$300 million.

See Note 10, "FINANCING ARRANGEMENTS" to our unaudited interim Condensed Consolidated Financial Statements for additional information regarding the financing activities described above, including the definitions of certain defined terms used 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 and AR Credit Facility, issuances of long-term debt and issuances of equity or 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, repurchase or exchange existing debt or issue equity or equity-linked securities.

Cash, cash equivalents and restricted cash as presented in the Condensed Consolidated Balance Sheet as of September 30, 2023 includes \$360 million of cash, cash equivalents and restricted cash held by legal entities of Bausch + Lomb. Cash held by Bausch + Lomb legal entities and any future cash from the operating, investing and financing activities of Bausch + Lomb is expected to be retained by Bausch + Lomb entities and is generally not available to support the operations, investing and financing activities of other legal entities, including Bausch Health 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 \$22,430 million and \$20,766 million as of September 30, 2023 and December 31, 2022, respectively. Aggregate contractual principal amounts due under our debt obligations were \$20,952 million and \$19,110 million as of September 30, 2023 and December 31, 2022, respectively, an increase of \$1,842 million.

See Note 10, “FINANCING ARRANGEMENTS” to our unaudited interim Condensed Consolidated Financial Statements for additional information regarding long term debt.

### *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”). Prior to the September 2023 Credit Facility Amendment (as defined below), the Credit Agreement provided for a term loan of \$2,500 million with a five-year term to maturity (the “B+L May 2027 Term Loan B Facility”) and a five-year revolving credit facility of \$500 million (the “B+L Revolving Credit Facility”).

### *B+L 8.375% Senior Secured Notes and B+L Term Loan B Facility - September 2023 Financing*

On September 29, 2023, Bausch + Lomb entered into an incremental term loan facility secured on a pari passu basis with its existing B+L May 2027 Term Loan B Facility. This incremental term loan facility was entered into in the form of an incremental amendment (the “September 2023 Credit Facility Amendment”) to Bausch + Lomb’s existing Credit Agreement (the Credit Agreement, as amended by the September 2023 Credit Facility Amendment, the “B+L Amended Credit Agreement”) and consisted of borrowings of \$500 million in new term B loans with a five-year term to maturity (the “B+L September 2028 Term Loan B Facility”) and, together with the B+L May 2027 Term Loan B Facility and the B+L Revolving Credit Facility, the “B+L Senior Secured Credit Facilities”). A portion of the proceeds from the B+L September 2028 Term Loan B Facility and the B+L October 2028 Secured Notes were used to finance the \$1,750 million upfront payment related to the XIIDRA Acquisition (as discussed further in Note 4, “LICENSING AGREEMENTS AND ACQUISITIONS” to our unaudited interim Condensed Consolidated Financial Statements) and related acquisition and financing costs.

The B+L Senior Secured Credit Facilities are secured by substantially all of the assets of Bausch + Lomb and its material, wholly-owned Canadian, U.S., Dutch and Irish subsidiaries, subject to certain exceptions. The B+L May 2027 Term Loan B Facility and B+L September 2028 Term Loan B Facility are denominated in U.S. dollars, and borrowings under the B+L Revolving Credit Facility may be made available in U.S. dollars, euros, pounds sterling and Canadian dollars. As of September 30, 2023, the B+L Revolving Credit Facility had \$175 million of outstanding borrowings, \$25 million of issued and outstanding letters of credit and \$300 million of remaining availability.

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

See Note 10, “FINANCING ARRANGEMENTS” to our unaudited interim Condensed Consolidated Financial Statements for additional details.

### *Accounting for the Exchange Offer*

The Company performed an assessment of the Exchange Offer and determined that it met the criteria to be accounted for as a troubled debt restructuring under Accounting Standards Codification 470-60. As a result of the application of this accounting, the difference between the principal amount of the New Secured Notes and their carrying value was recorded as a premium and is included in long-term debt on the Company’s Condensed Consolidated Balance Sheet.

The original premium recorded on the New Secured Notes was \$1,835 million, which will be reduced as contractual interest payments are made on the New Secured Notes. The portion of each contractual interest payment allocated to reduce the recorded premium is determined as the difference between the payment due and the calculated interest at the effective interest rate of the underlying carry amount of the associated note. During the nine months ended September 30, 2023, the Company made contractual interest payments of \$200 million related to the New Secured Notes, of which \$174 million was recorded as a reduction of the recorded premium.

The following table presents the future scheduled contractual interest payments of the New Secured Notes. Contractual interest payments will be allocated to the reduction of the recorded premium and interest expense as presented below. The amount of interest which reduces the recorded premium will be reported as a financing activity in the Condensed Consolidated Statements of Cash Flows.

| <i>(in millions)</i>                             | Remainder<br>of 2023 | 2024          | 2025          | 2026          | 2027          | Thereafter    | Total           |
|--|----------------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| <b>Interest payments:</b>                        |                      |               |               |               |               |               |                 |
| 11.00% First Lien Secured Notes due 2028         | \$ 98                | \$ 195        | \$ 195        | \$ 195        | \$ 195        | \$ 195        | \$ 1,073        |
| 14.00% Second Lien Secured Notes due 2030        | 25                   | 49            | 49            | 49            | 49            | 149           | 370             |
| 9.00% Intermediate Holdco Secured Notes due 2028 | —                    | 90            | 90            | 90            | 90            | 45            | 405             |
|  | <u>\$ 123</u>        | <u>\$ 334</u> | <u>\$ 334</u> | <u>\$ 334</u> | <u>\$ 334</u> | <u>\$ 389</u> | <u>\$ 1,848</u> |
| <b>Interest payments recorded as:</b>            |                      |               |               |               |               |               |                 |
| Interest expense                                 | \$ 15                | \$ 39         | \$ 36         | \$ 34         | \$ 31         | \$ 32         | \$ 187          |
| Reduction of recorded premium                    | 108                  | 295           | 298           | 300           | 303           | 357           | 1,661           |
|  | <u>\$ 123</u>        | <u>\$ 334</u> | <u>\$ 334</u> | <u>\$ 334</u> | <u>\$ 334</u> | <u>\$ 389</u> | <u>\$ 1,848</u> |

### *Senior Unsecured Notes*

The Senior Unsecured Notes (as defined in Note 10, “FINANCING ARRANGEMENTS” to our unaudited interim Condensed Consolidated Financial Statements) issued by the Company are the Company’s senior unsecured obligations and are jointly and severally guaranteed on a senior unsecured basis by each of its subsidiaries that is a guarantor under the 2022 Amended Credit Agreement. The Senior Unsecured Notes issued by BHA are senior unsecured obligations of BHA and are jointly and severally guaranteed on a senior unsecured basis by the Company and each of its subsidiaries (other than BHA) that is a guarantor under the 2022 Amended Credit Agreement. Future subsidiaries of the Company and BHA, if any, may be required to guarantee the Senior Unsecured Notes. In connection with the closing of the B+L IPO, the discharge of the April 2025 Unsecured Notes Indenture and the related release under the 2022 Amended Credit Agreement described above, the guarantees and related security provided by Bausch + Lomb and its subsidiaries in respect of the existing senior notes of the Company and BHA were released. On a non-consolidated basis, the non-guarantor subsidiaries had total assets of \$15,752 million and total liabilities of \$8,337 million as of September 30, 2023, and revenues of \$3,323 million and operating income of \$85 million for the nine months ended September 30, 2023.

### *Accounts Receivable Credit Facility*

On June 30, 2023, we entered into the AR Credit Facility with certain third-party lenders, providing for a non-recourse financing facility collateralized by certain of the Company’s accounts receivable. The AR Facility Agreement provides for an up to \$600 million facility, subject to certain borrowing base tests. Under the AR Credit Facility, the Borrower purchases accounts receivable, originated by a wholly-owned subsidiary of Bausch Health, which collateralize borrowings under the AR Credit Facility. The Borrower is a bankruptcy remote entity that is unrestricted under the Company’s debt covenants, and which is consolidated by the Company.

Borrowings under the AR Credit Facility are in U.S. dollars and bear interest at a rate per annum equal to, the sum of the one month term SOFR plus 6.65%. The Company is required to pay commitment fees of 0.75% multiplied by the lesser of: (i) the unfunded portion of the lenders’ commitments or (ii) 50% of the total lenders’ commitments.

See Note 10, “FINANCING ARRANGEMENTS” to our unaudited interim Condensed Consolidated Financial Statements for additional details.

### *Availability Under Revolving Credit Facilities*

As of November 2, 2023, there were no outstanding borrowings, \$23 million of issued and outstanding letters of credit and approximately \$952 million of remaining availability under the 2027 Revolving Credit Facility.

As of November 2, 2023, we have \$350 million of outstanding borrowings, in the aggregate, and the AR Facility Agreement provides for up to an additional \$250 million of availability, subject to certain borrowing base tests.

As of November 2, 2023, there were \$175 million of outstanding borrowings, \$25 million of issued and outstanding letters of credit and \$300 million of remaining availability under the B+L Revolving Credit Facility. Absent the payment 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 any other subsidiaries of Bausch Health.

### *Covenant Compliance*

As of September 30, 2023, 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.

Any inability to comply with the covenants under the terms of our 2022 Amended 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, 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.

On November 29, 2022, the Company designated 1261229 B.C. Ltd., the entity that directly or indirectly holds 89% of the issued and outstanding shares of Bausch + Lomb, as an unrestricted subsidiary of the Company in accordance with the terms of the Company's indentures. In connection therewith, Bausch + Lomb and its subsidiaries are unrestricted subsidiaries of the Company and, as a result, are not subject to the covenants under the relevant Bausch Health indentures, and the earnings and debt of Bausch + Lomb, as defined in the relevant indentures, are also not included in the calculation of the Company's financial maintenance covenant.

The Company continues to take steps to seek to ensure continual compliance with its financial maintenance covenant and take other actions to reduce its debt levels and improve its capital structure 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 accounting for the Exchange Offer results in the New Secured Notes being carried at a premium relative to their principal amount and will result in no interest expense to be recorded in our financial statements for a significant portion of the New Secured Notes. Therefore, interest expense recorded in our financial statements will differ significantly from the contractual interest rates of the New Secured Notes and term loan facilities. The weighted average interest rate of our debt as reported in our financial statements and the weighted average stated rate of interest was 6.59% and 8.05%, respectively, as of September 30, 2023.

### *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 appropriately 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 additional value across our portfolio of assets and it continues to be a primary objective of our plan of separation.

### **Credit Rating**

As of November 2, 2023, 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:

| Rating Agency     | Bausch Health Companies Inc. |                       |                         |            | Bausch + Lomb Corporation |                       |                       |
|-------------------|------------------------------|-----------------------|-------------------------|------------|---------------------------|-----------------------|-----------------------|
|                   | Corporate Rating             | Senior Secured Rating | Senior Unsecured Rating | Outlook    | Corporate Rating          | Senior Secured Rating | Outlook               |
| Moody's           | Caa2                         | Caa1                  | Ca                      | Negative   |                           | B1                    | Negative              |
| Standard & Poor's | CCC                          | CCC+                  | CCC-                    | Negative   | B-                        | B-                    | Positive              |
| Fitch             | CCC                          | B                     | C                       | No Outlook | B-                        | BB-                   | Rating Watch Evolving |

*Bausch Health Companies Inc.* - On October 3, 2023, Fitch lowered its senior unsecured rating to C.

*Bausch + Lomb Corporation* - There were no changes to the corporate credit ratings of Bausch + Lomb Corporation during the third quarter of 2023.

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 2023 are for debt service. Our other future cash requirements relate to working capital, capital expenditures, business development transactions (including contingent consideration), 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 September 30, 2023, we expect our primary cash requirements during the remainder of 2023 to include:

- *Debt repayments and interest payments*—We anticipate making mandatory amortization and interest payments of approximately \$481 million during the period October 1, 2023 through December 31, 2023. 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;
- *Capital expenditures*—We expect to make payments of approximately \$105 million for property, plant and equipment during the period October 1, 2023 through December 31, 2023;
- *Contingent consideration and milestone payments*—We expect to make contingent consideration payments of approximately \$55 million during the period October 1, 2023 through December 31, 2023. These payments include a \$45 million payment in connection with Bausch + Lomb’s agreement with Novaliq GmbH for MIEBO™ (formerly known as NOV03), which was launched in the U.S. in the third quarter of 2023; and
- *Benefit obligations*—We expect to make aggregate payments under our pension and postretirement obligations of \$2 million during the period October 1, 2023 through December 31, 2023.

### *Litigation Payments*

In the ordinary course of business, the Company is involved in litigation, claims, government inquiries, investigations, charges and proceedings. As of September 30, 2023, the Company’s Condensed Consolidated Balance Sheet includes accrued loss contingencies of \$348 million related to matters which are both probable and reasonably estimable, however, a reliable estimate of the period in which the remaining loss contingencies will be payable, if ever, cannot be made. Our ability to successfully defend the Company against pending and future litigation may impact future cash flows.

See Note 17, “LEGAL PROCEEDINGS” to our unaudited interim Condensed Consolidated Financial Statements for further details.

### *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

ACQUISITIONS” to our unaudited interim Condensed 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 September 30, 2023, the Company had unrecognized tax benefits totaling \$924 million, of which, \$4 million is expected to be realized in the next 12 months, 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, 2022, filed with the SEC and the CSA on February 23, 2023.

### **OUTSTANDING SHARE DATA**

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

At October 27, 2023, we had 365,195,048 issued and outstanding common shares. In addition, as of October 27, 2023, we had outstanding 10,986,900 stock options and 8,964,950 time-based restricted share units that each represent the right of a holder to receive one of the Company’s common shares, and 588,259 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 1,176,518 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 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, 2022, filed with the SEC and the CSA on February 23, 2023, and determined that there were no significant changes in our critical accounting policies and estimates during the nine months ended September 30, 2023.

#### *Interim Goodwill Assessment*

No events occurred or circumstances changed during the period of October 1, 2022 (the date of the last annual goodwill assessment) through September 30, 2023 that would indicate that the fair value of any reporting unit, other than the Dermatology and Neurology reporting units, might be below its carrying value.

#### *Dermatology*

As the Dermatology reporting unit was impaired on September 30, 2022, there was no difference between the carrying value of the Dermatology reporting unit and its fair value at that time. During the third quarter of 2023, as a result of lower realized pricing attributable to shifts in the coverage mix for certain products, discontinuation of certain products as a result of the impact of recent legislation, and revised expectations of future selling, advertising, and promotion costs required to mitigate further revenue erosion, our preliminary assessment of future business performance indicated that the reporting unit’s future financial results were expected to be below the assumptions used in the last quantitative fair value test. After considering the limited headroom as a result of the impairment to goodwill of the Dermatology reporting unit when last tested (September 30, 2022), we believed that these changes in facts and circumstances suggested the fair value of the Dermatology reporting unit could be less than its carrying amount, and therefore a quantitative fair value test was performed for the reporting unit.

The quantitative fair value test utilized the Company’s most recent cash flow projections for the Dermatology reporting unit as revised in the third quarter of 2023 which reflected current market conditions and current trends in business performance. The quantitative fair value test utilized a long-term growth rate of 0.0% and a discount rate of 10.75%. Based

on the quantitative fair value test, the carrying value of the Dermatology reporting unit exceeded its fair value at September 30, 2023, and we recognized a goodwill impairment of \$151 million for the three months ended September 30, 2023.

Management estimates that a change in the discount rate of 0.25% or a change in the long-term growth rate of 1% would result in a change to the impairment to the Dermatology reporting unit of approximately \$13 million and \$26 million, respectively, with all other factors remaining constant.

#### Neurology

As the Neurology reporting unit was impaired on October 1, 2022, there was no difference between the carrying value of the Neurology reporting unit and its fair value at that time. During the third quarter of 2023, as a result of actions taken by management in response to changing market dynamics driven by recent legislation, including changes to the future expected commercial insurance coverage for certain key products, and a projected shift in the channels of business, our preliminary assessment of future business performance indicated that the reporting unit's future financial results were expected to be below the assumptions used in the last quantitative fair value test. After considering the limited headroom as a result of the impairment to goodwill of the Neurology reporting unit when last tested (October 1, 2022), we believed that these facts and circumstances suggested the fair value of the Neurology reporting unit could be less than its carrying amount, and therefore a quantitative fair value test was performed for the reporting unit.

The quantitative fair value test utilized the Company's most recent cash flow projections for the Neurology reporting unit as revised in the third quarter of 2023 to reflect current market conditions and current trends in business performance. The quantitative fair value test utilized a long-term growth rate of -2.5% and a discount rate of 10.50%. Based on the quantitative fair value test, the carrying value of the Neurology reporting unit exceeded its fair value at September 30, 2023, and we recognized a goodwill impairment of \$251 million for the three months ended September 30, 2023.

Management estimates that a change in the discount rate of 0.25% or a change in the long-term growth rate of 1% would result in a change to the impairment to the Neurology reporting unit of approximately \$24 million and \$33 million, respectively, with all other factors remaining constant.

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

#### **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 this fiscal year 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 the 2022 Amended Credit Agreement, senior notes indentures and the AR Facility Agreement; the ability of our subsidiary, Bausch + Lomb, to comply with the financial and other covenants contained in the B+L Senior Secured Credit Facilities and the B+L October 2028 Secured Notes; 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 impact of the COVID-19 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 potential adverse impact on our business and operations resulting from the ongoing conflict between Russia and Ukraine;
- the risks and uncertainties caused by or relating to the COVID-19 pandemic, the potential resurgence of the COVID-19 virus and any resulting reinstatement 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 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 B+L Separation, the risks and uncertainties include, but are not limited to, the expected benefits and costs of the B+L Separation, the expected timing of completion of the B+L Separation and its terms, the Company’s ability to complete the B+L Separation considering the various conditions to the completion of the B+L Separation (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 B+L Separation, that the previously announced planned Solta IPO has been suspended, that the Norwich Legal Decision (see “*Xifaxan*<sup>®</sup> Paragraph IV Proceedings” of Note 17, “LEGAL PROCEEDINGS” to our unaudited interim Condensed 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 are not obtained on the terms or timelines anticipated or at all, business disruption during the pendency of, or following, the B+L Separation, 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 B+L Separation (some of which are beyond their control), limitations on the Company’s ability to sell a portion of the Company’s interest in Bausch + Lomb in order to maintain the tax-free status of the B+L Separation (including due to dilution from B+L’s issuance of share-based compensation awards), other potential tax or other liabilities that may arise as a result of the B+L Separation, the potential dissynergy costs resulting from the B+L Separation, the impact of the B+L Separation 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 B+L Separation 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 B+L Separation 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 and certain opt-out actions in Canada relating to the previously 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 2023 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 FDA and equivalent agencies outside of the U.S. and the results thereof;
- actions, including inspections, 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, the 2022 Amended Credit Agreement, the AR Credit Facility and other current or future credit and/or debt agreements or amendments thereto, including the ability of Bausch + Lomb to comply with its covenants and obligations under the B+L Senior Secured Credit Facilities and the B+L October 2028 Secured Notes, 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 or amendments thereto) 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 2023 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 risks and uncertainties relating to Bausch + Lomb's recently completed acquisition of XIIDRA<sup>®</sup> and certain other assets, including risks relating to our increased levels of debt as a result of debt incurred to finance such acquisition and risks that Bausch + Lomb may not realize the expected benefits of the acquisition on a timely basis or at all, as well as risks associated with Bausch + Lomb's guarantee of certain obligations of its acquiring affiliate pursuant to the terms of the XIIDRA Acquisition and potential liability for payment of related contingent consideration;
- the risks and uncertainties relating to Bausch + Lomb's recent acquisition of the Blink<sup>®</sup> Product Line, including risks that Bausch + Lomb may not realize the expected benefits of the acquisition on a timely basis or at all;
- 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 Dermatology 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, AR Facility Agreement, the B+L Senior Secured Credit Facilities, our senior notes indentures, the senior notes indenture of B+L 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, the EU and other countries against governmental and other entities in Russia, Belarus and parts of Ukraine; including potential impact on sales, earnings, market conditions and the ability of the Company to manage its resources and operations in Russia;
- the impact of the United States-Mexico-Canada Agreement (“USMCA”) and any potential changes to other trade agreements;
- the impact of the recent escalation in conflict in the Middle East, including attacks on Israel by Hamas and any related military conflict, including potential impact on our operations, sale of products and revenues in this region;
- the possibility that the unaudited pro forma financial information included in this Form 10-Q may not necessarily be indicative of what the consolidated results of operations would have been, had the XIIDRA Acquisition been completed on January 1, 2022 and may differ materially from the future results of operations of the combined company;
- 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<sup>®</sup> (rifaximin) 550 mg tablets and the Company’s related lawsuit filed against Norwich in connection therewith) and the impacts of the Norwich Legal Decision and related litigation on, among other things, our business results, financial results, and the B+L Separation;
- 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 lawsuit filed in the U.S. District Court for the District of Columbia against the FDA alleging that the FDA acted improperly by only granting tentative approval to Norwich’s ANDA, rather than final approval, in June 2023;
- the fact that a substantial amount of our revenues are derived from the Xifaxan<sup>®</sup> product line, and that we may be materially impacted by the entry of a generic rifaximin product earlier than January 2028, including the risk of a competitor launching a generic rifaximin at risk prior to a final unappealable decision;
- 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 and potential other impacts 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 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, 2022, filed on February 23, 2023, risks in 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 SEC and the CSA, as well as our ability to anticipate and manage the risks associated with the foregoing.

Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found in our Annual Report on Form 10-K for the year ended December 31, 2022, filed on February 23, 2023, 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, 2022, filed with the SEC and the CSA on February 23, 2023.

#### *Interest Rate Risk*

As of September 30, 2023, we had \$15,115 million and \$5,838 million in outstanding aggregate principal amount of fixed rate debt and variable rate debt, respectively. The estimated fair value of our issued fixed rate debt as of September 30, 2023 was \$10,332 million. If interest rates were to increase by 100 basis-points, the fair value of our issued fixed rate debt would decrease by approximately \$309 million. If interest rates were to decrease by 100 basis-points, the fair value of our issued fixed rate debt would increase by approximately \$293 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-point increase in interest rates would have an annualized pre-tax effect of approximately \$58 million in our Condensed 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 September 30, 2023. Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of September 30, 2023.

### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the third quarter of 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.