

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

This “Management’s Discussion and Analysis of Financial Condition and Results of Operations” has been updated through February 18, 2026 and should be read in conjunction with the audited Consolidated Financial Statements and the related notes thereto included elsewhere in this Form 10-K. The following section generally discusses 2025 and 2024 items and comparisons between 2025 and 2024. Discussions of 2023 items and comparisons between 2024 and 2023 that are not included in this Form 10-K can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2024, filed on February 19, 2025. All currency amounts are expressed in U.S. dollars, unless otherwise noted.

This Management’s Discussion and Analysis of Financial Condition and Results of Operations contains 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 (the “Exchange Act”), and forward-looking information within the meaning of applicable Canadian securities laws (collectively, “forward-looking statements”). 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”, “likely”, “evolve”, “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 statements are based upon the current expectations and beliefs of management. Readers are cautioned that actual results may vary from those in the forward-looking statements. 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 relating to: (i) our ability to execute our business strategy, business plans and operational efficiency initiatives; (ii) demand for, competitive positioning of and pricing for our current and anticipated products and our ability to achieve expected revenues, margins and expense levels; (iii) the successful development, regulatory approval, manufacture and timing of launches and commercialization of pipeline and other products; (iv) the completion, timing, integration and expected benefits of acquisitions and other strategic transactions (including the acquisition of DURECT Corporation (“DURECT”)) and the planned separation of our eye health business consisting of our Bausch + Lomb global Vision Care, Surgical and Pharmaceuticals businesses on anticipated terms, timing and costs; (v) the scope, duration and financial and operational impact of product quality matters; (vi) the continued availability and performance of key third-party distribution, fulfillment and other arrangements and the stability of global supply chains; (vii) the continuation of patent protection and regulatory exclusivity for key products; (viii) the expected impacts of the Inflation Reduction Act (“IRA”), and the selection by the Centers for Medicare & Medicaid Services (“CMS”) of Xifaxan[®] for the second round of negotiation under the drug price negotiation program for initial price applicability in 2027 and the results thereof, and other healthcare reform measures and our ability to mitigate the impact thereof; (ix) our ability to generate cash flows and access liquidity to meet working capital needs, satisfy debt maturities as they become due, reduce debt levels and comply with financial and other covenants under our financing arrangements; (x) the expected scope and impact of tariffs, counter-tariffs and other trade restrictions and the effectiveness of mitigation actions; (xi) macroeconomic and geopolitical conditions (including inflation, recessionary pressures, foreign currency exchange rates and interest rates), changes in tax laws and related guidance (including legislation referred to as the One Big Beautiful Bill Act (the “OBBBA”) and Organisation for Economic Co-operation and Development (“OECD”) related measures); (xii) the expected outcomes of litigation and other contingencies; and (xiii) the factors described under Item 1A. “Risk Factors” in this Form 10-K and in the Company’s other filings with the U.S. Securities and Exchange Commission (the “SEC”) and the Canadian Securities Administrators (the “CSA”).

We caution that, as it is not possible to predict or identify all relevant factors that may impact forward-looking statements, the factors referred to in this Management’s Discussion and Analysis of Financial Condition and Results of Operations are not exhaustive and should not be considered a complete statement of all potential risks and uncertainties. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the aforementioned 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 Management’s Discussion and Analysis of Financial Condition and Results of Operations or to reflect actual outcomes, except as required by law.

OVERVIEW

Bausch Health Companies Inc. (“we”, “us”, “our”, the “Company” or “Bausch Health”) is 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 88%

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. The Company’s products are marketed directly or indirectly in approximately 90 countries.

We generated revenues for 2025, 2024 and 2023, of \$10,266 million, \$9,625 million and \$8,757 million, respectively. Our portfolio of products falls into five reportable segments: (i) Salix, (ii) International, (iii) Solta Medical, (iv) Diversified and (v) Bausch + Lomb.

For additional discussion of our reportable segments, see the discussion in Item 1. “Business — Segment Information” and Note 23, “SEGMENT INFORMATION” to our audited 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 businesses into an independent publicly traded entity, Bausch + Lomb (the “B+L Separation”). On May 10, 2022, a wholly owned subsidiary of Bausch Health sold 35,000,000 common shares of Bausch + Lomb in the initial public offering of Bausch + Lomb. Bausch Health indirectly holds 310,449,643 common shares of Bausch + Lomb, which represents approximately 88% of B+L’s outstanding common shares as of February 11, 2026. See Item 1. “Business— Separation of the Bausch + Lomb Eye Health Business” of this Form 10-K for more information on the B+L Separation.

We continue to believe that the B+L Separation, which may include the monetization of all or a portion of our ownership interest in Bausch + Lomb, the transfer of all or a portion of our remaining direct or indirect equity interest in Bausch + Lomb to our shareholders, or a combination thereof, makes strategic sense. The completion of the B+L Separation is subject to the achievement of targeted debt leverage ratios and the receipt of any applicable shareholder and other necessary approvals. We continue to evaluate all relevant factors and considerations related to the B+L Separation, including the Xifaxan® Generics Litigation (see “Xifaxan® Paragraph IV Proceedings” of Note 21, “LEGAL PROCEEDINGS” to our audited Consolidated Financial Statements).

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, 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. 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 — Risks Relating to the B+L Separation” of this Form 10-K for additional risks relating to the B+L Separation.

Focus on Value and Core Businesses

We continue to execute on actions intended to bring out value in our Company. 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 or extend maturities of our long-term debt, (ii) directed capital allocation to drive growth within our core businesses, (iii) increased our efforts to improve patient access and (iv) continued to invest in sustainable growth drivers to position us for long-term growth.

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, including by separating our eye health and pharmaceutical businesses. Although management believes the B+L Separation will unlock additional value, there can be no assurance that it will be successful in doing so.

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 audited Consolidated Financial Statements.

Maturities and mandatory payments of our principal balances of debt obligations as of December 31, 2025 were as follows:

<i>(in millions)</i>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>Thereafter</u>	<u>Total</u>
Total debt obligations	\$ 58	\$ 701	\$ 4,240	\$ 1,662	\$ 4,118	\$ 9,453	\$ 20,232

See Note 10, “FINANCING ARRANGEMENTS” to our audited 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.”

Managing Our Capital Structure in 2025

April 2025 Refinancing Transactions

On April 8, 2025, the Company and its indirect wholly-owned subsidiary, 1261229 B.C. Ltd., a company incorporated under the laws of British Columbia, Canada (“126NumberCo”), closed a series of transactions (the “April 2025 Refinancing Transactions”) whereby it: (i) entered into a credit agreement which provides for new senior secured credit facilities (the “2025 Credit Agreement”) consisting of a five-year senior secured revolving credit facility in an amount of \$500 million due April 8, 2030 (the “2030 Revolving Credit Facility”) and a \$3,000 million 5.5-year senior secured term loan B facility due October 8, 2030 (the “2030 Term Loan B Facility”, and together with the 2030 Revolving Credit Facility, the “2025 Senior Secured Credit Facilities”) and (ii) issued \$4,400 million aggregate principal amount of 10.00% senior secured notes due April 15, 2032 (the “2032 Senior Secured Notes”).

The proceeds from the April 2025 Refinancing Transactions were used: (i) to repay in full and terminate the Company’s term loan facility (the “February 2027 Term Loan B Facility”), (ii) to redeem certain senior secured notes, certain unsecured notes and the 9.00% Senior Secured Notes due 2028 (the “9.00% Intermediate Holdco Secured Notes”), (iii) to pay related fees, premiums and expenses and (iv) for general corporate purposes.

The April 2025 Refinancing Transactions reduced our short-term cash requirements for debt service by extending approximately \$6,870 million in aggregate debt maturities from the years 2025 through 2028 to the years 2030 through 2032.

August 2025 Repurchase Activity

In August 2025, we repurchased and retired our outstanding 9.25% Senior Unsecured Notes due April 2026 with an aggregate par value of approximately \$602 million using cash on hand, for an aggregate cost of approximately \$601 million (the “August 2025 Repurchase Activity”).

December 2025 Exchange

On December 26, 2025, the Company and 126NumberCo, completed offers to exchange (the “December 2025 Exchange”) \$797 million aggregate principal amount of 4.875% Senior Secured Notes due in 2028 (the “June 2028 Senior Secured Notes”) and \$886 million aggregate principal amount of 11.00% First Lien Secured Notes due in 2028 (the “11.00% First Lien Secured Notes”), for \$1,600 million in aggregate principal amount of new 10.00% Senior Secured Notes due April 2032, which form a single series with the 2032 Senior Secured Notes issued in April 2025 which reduced the outstanding principal value of our debt by \$83 million. In connection with the December 2025 Exchange, 26,495,472 common shares of Bausch + Lomb were transferred to 126NumberCo, which owns, in the aggregate, 211,963,893 common shares of Bausch + Lomb following such transfer.

The December 2025 Exchange reduced our short-term cash requirements for debt service by extending approximately \$1,600 million in aggregate debt maturities from the year 2028 to the year 2032.

Accounts Receivable Credit Facility Termination

On June 30, 2023, certain subsidiaries of the Company entered into a Credit and Security Agreement (as amended, 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 provided for a maximum amount of up to \$600 million, subject to certain borrowing base tests. On October 27, 2025, the outstanding amount of \$300 million was repaid using cash on hand and the AR Credit Facility was terminated.

Defined terms used above but not defined in this “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” are defined and discussed in Note 10, “FINANCING ARRANGEMENTS” to our audited Consolidated Financial Statements.

Bausch + Lomb June 2025 Refinancing Activity

On June 26, 2025, Bausch + Lomb entered into a third amendment to its credit agreement (the “B+L 2025 Credit Facility Amendment”; the B+L Original Credit Agreement, as amended by the B+L September 2023 Credit Facility Amendment, the B+L November 2024 Credit Facility Amendment and the B+L 2025 Credit Facility Amendment, the “B+L Amended Credit Agreement”), whereby Bausch + Lomb entered into an \$800 million revolving credit facility maturing June 26, 2030 (subject to customary “springing” maturity provisions) (the “B+L 2030 Revolving Credit Facility”) and a new \$2,325 million term B loan facility maturing January 15, 2031 (the “B+L January 2031 Term Loan B Facility”, and together with the B+L September 2028 Term Loan B Facility, the “B+L Term Facilities”; the B+L Term Facilities, together with the B+L 2030 Revolving Credit Facility, the “B+L Senior Secured Credit Facilities”) (these transactions together, the “B+L 2025 Refinancing Activity”).

On June 26, 2025, certain of Bausch + Lomb’s subsidiaries, Bausch + Lomb Netherlands B.V. and Bausch & Lomb Incorporated (the “B+L Issuers”), issued €675 million aggregate principal amount of Senior Secured Floating Rate Notes due January 2031 (the “B+L January 2031 Senior Secured Notes”). The proceeds from the B+L January 2031 Senior Secured Notes, along with the proceeds of the B+L January 2031 Term Loan B Facility, were used by Bausch + Lomb to: (i) repay in full, borrowings under the B+L May 2027 Revolving Credit Facility, (ii) refinance, in full, its outstanding term loans due 2027 and (iii) pay related fees and expenses.

The B+L 2025 Refinancing Activity reduced our short-term cash requirements for debt service by extending approximately \$2,800 million in aggregate debt maturities from the year 2027 to the year 2031.

Bausch + Lomb January 2026 Credit Facility Amendment

In January 2026, Bausch + Lomb entered into a refinancing transaction to extend its maturities and lower its interest rates. The refinancing transaction consisted of entering into a term loan facility in the form of a refinancing amendment (the “B+L January 2026 Credit Facility Amendment”) to the existing B+L credit agreement, and consisted of \$2,802 million of new term loans maturing on January 15, 2031 (the “B+L January 2031 Refinancing Term Facility”). The proceeds from the B+L January 2031 Refinancing Term Facility were used to refinance the B+L September 2028 Term Loan B Facility and the B+L January 2031 Term Loan B Facility.

The April 2025 Refinancing Transactions, August 2025 Repurchase Activity, December 2025 Exchange, repayment of the AR Credit Facility, B+L 2025 Refinancing Activity and B+L January 2031 Refinancing Term Facility provide us more flexibility to operate and allow us to more effectively allocate capital to initiatives that will strengthen our products and brands.

Managing Our Capital Structure in 2024

During January 2024 and May 2024, through a series of transactions we repurchased and retired outstanding senior unsecured notes with an aggregate par value of \$555 million for approximately \$530 million using cash on hand.

Managing Our Capital Structure in 2023

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 Senior Secured Notes”) of \$1,400 million to finance the \$1,750 million upfront payment related to the acquisition of XIIDRA[®] and certain other ophthalmology assets from Novartis and associated acquisition-related transaction and financing costs (as discussed in “—Strategic Acquisitions” below).

We continue 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.

See Note 10, “FINANCING ARRANGEMENTS” to our audited Consolidated Financial Statements and Item “— Liquidity and Capital Resources — Liquidity and Debt — Long-term Debt” for further details and additional discussion regarding these matters. Cash requirements for future debt repayments including interest can be found in this Item “— Off-Balance Sheet Arrangements and Contractual Obligations.”

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) R&D investment, (ii) strategic licensing agreements and (iii) strategic acquisitions. 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, 2025, approximately 1,400 dedicated R&D and quality assurance employees in 25 R&D facilities were involved in our R&D efforts internally.

As of December 31, 2025, we had approximately 80 R&D projects in our 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

- **Larsucosterol** - In September 2025, we completed the acquisition of DURECT. Larsucosterol, DURECT’s lead drug candidate, has the potential to be the first FDA approved therapeutic option for AH patients. The FDA has granted a Breakthrough Therapy designation for this drug. A registrational Phase 3 program to evaluate the safety and efficacy of Larsucosterol for the treatment of patients with severe AH is planned to start in early 2026.
- **Rifaximin** - In January 2026, we received the results for the double-blind Phase 3 clinical trials for two global clinical programs evaluating our rifaximin soluble solid dispersion (“SSD”) formulation of rifaximin, known as rifaximin SSD-40IR, as part of our RED-C clinical trial program (“RED-C”). These trials were aimed to assess the drug’s ability to delay the first occurrence of overt hepatic encephalopathy (“OHE”) in patients with early decompensated liver cirrhosis. While safe and well-tolerated, both clinical trials failed to achieve their primary endpoint.
- **Amiselimod (S1P modulator)** - A Phase 2 study to evaluate Amiselimod (S1P modulator) for the treatment of mild to moderate ulcerative colitis was completed in 2024. In 2024, we met with the FDA for an end of Phase 2 meeting. We also met with the EU’s European Medicines Agency and Japan’s Pharmaceuticals and Medical Devices Agency. All regulatory feedback is currently under review.

Solta Medical

- **Clear + Brilliant® Touch** - The latest generation Clear + Brilliant® laser is designed to deliver a customized and more comprehensive skin resurfacing treatment protocol by providing patients of all ages and skin types the benefits of two wavelengths in one treatment. Approval has been received in major markets such as China and the U.S., as well as additional markets globally, supporting the ongoing globalization of Clear + Brilliant® Touch.
- **Fraxel FTX®** - The next generation Fraxel® is a fractionated laser device for skin resurfacing launched in the U.S. in April 2025 and received approval in Australia in December 2025.
- **Thermage® FLX** - A non-invasive, FDA-cleared skin tightening treatment designed to reduce wrinkles and rhytids, including those on the upper and lower eyelids. It uses radiofrequency energy to stimulate collagen production, resulting in tighter, more contoured skin. The device received Health Canada approval in April 2025.

Dermatology

- **CABTREO® Topical Gel** - The first and only FDA approved fixed-dose, triple-combination topical treatment for acne. CABTREO® Topical Gel was launched in the U.S. in the first quarter of 2024, in Canada in October 2024 and completed submission for approval to the European Medicines Agency of the EU.

Bausch + Lomb

- Lumify® Franchise – An OTC redness reliever eye drop that significantly reduces redness to help eyes look whiter and brighter. To date, Bausch + Lomb has launched and acquired the right to launch Lumify® in various countries. A new line extension formulation, Lumify® Preservative Free, was launched in the first quarter of 2025. In addition, Bausch + Lomb is in the process of initiating a Lumify® next generation clinical study, for which a Phase 3 study met all primary and secondary endpoints and for which an NDA submission is anticipated during the first half of 2026.
- Blink® Franchise – During June 2024, Bausch + Lomb expanded its OTC dry eye portfolio with the launch of Blink® NutriTears®, a clinically proven OTC supplement that targets the key root causes of dry eyes, promotes healthy tear production and provides noticeable relief of eye dryness symptoms. In June 2025, Bausch + Lomb began launching Blink® Nourish and Blink® Boost lubricating eye drops in the U.S. Bausch + Lomb is in the process of a preservative free lipid-based formulation for its Blink® Triple Care product, which is anticipated to launch in 2026.
- LuxLife® – Bausch + Lomb is expanding its portfolio of premium IOLs built on the “Lux” platform with the LuxLife® Trifocal IOL with two options, non-Toric and Toric for astigmatic patients. The European launch of this product is in process.
- Bausch + Lomb is expanding its portfolio of premium IOLs built on the enVista® platform with: enVista Aspire® monofocal and toric IOLs with Intermediate Optimized optics launched in the U.S. in October 2023, in Europe and Canada in 2025, enVista Envy® launched in Canada in June 2024, in the U.S. in November 2024 and in Europe in October 2025, and launches in Singapore and Hong Kong are expected and enVista Beyond™ extended depth of focus is anticipated to launch in the U.S. in 2027.

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 December 2025, we completed the acquisition of Wuhan Shibo Zhenmei Technology Co., Ltd. (“Shibo Zhenmei”), consisting of the aesthetics distribution business of our full-service distributor in China, the Shibo Group. Through this transaction, we assumed full responsibility for the distribution of Solta Medical’s entire product portfolio, including Thermage® FLX as well as other aesthetic devices, within the Chinese market.

In December 2025, Bausch + Lomb acquired certain manufacturing equipment, other assets and the assumption of a manufacturing facility lease in Mexico. The acquisition is expected to unlock manufacturing capacity and expand Bausch + Lomb’s margins.

In September 2025, we acquired DURECT, a biopharmaceutical company engaged in the development of epigenetic therapies that target dysregulated deoxyribonucleic acid methylation to transform the treatment of serious and life-threatening conditions, including acute organ injury. DURECT’s lead drug candidate, Larsucosterol, is a novel therapeutic molecule that has demonstrated promising results in Phase 2 trials for the treatment of AH and has been granted Breakthrough Therapy designation by the FDA.

In January 2025, Bausch + Lomb acquired Whitecap Biosciences, LLC which is currently developing two innovative therapies for potential use in glaucoma and geographic atrophy.

In December 2024, Bausch + Lomb acquired Elios Vision, Inc., the developer of the ELIOS® procedure, the first clinically validated, minimally invasive glaucoma surgery procedure using an excimer laser. The U.S. submission of this product is anticipated in the first-half of 2026. This acquisition is expected to bolster Bausch + Lomb’s glaucoma treatment portfolio.

In July 2024, Bausch + Lomb acquired TearLab Corporation, d/b/a Trukera Medical (“Trukera Medical”), a U.S.-based privately held ophthalmic medical diagnostic company. Trukera Medical commercializes ScoutPro®, a point-of-care portable device for precisely measuring osmolarity, the salt content of a person’s tears. This acquisition expands Bausch + Lomb’s presence in the dry eye market.

In September 2023, Bausch + Lomb acquired XIIDRA®, the first and only non-steroid eye drop specifically approved to treat the signs and symptoms of dry eye disease focusing on inflammation associated with dry eye, and certain other ophthalmology assets from Novartis Pharma AG and Novartis Finance Corporation (together with Novartis Pharma AG,

“Novartis”) (the “XIIDRA Acquisition”). The XIIDRA Acquisition complements and has enabled the expansion of Bausch + Lomb’s dry eye franchise.

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

In January 2023, Bausch + Lomb acquired AcuFocus, Inc., an ophthalmic medical device company that has delivered breakthrough small aperture intraocular technology to address the diverse unmet needs in eye care. The IC-8 Aphera® IOL, was approved by the FDA in 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. This acquisition has enabled Bausch + Lomb to grow its portfolio of IOL offerings.

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.

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. Eligible patients must reapply yearly to remain in the program and must meet all current requirements.

Cash-pay Prescription Program - The cash-pay or Point of Sale 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 different fulfillment platforms which allows for patients to choose telemedicine, 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 products available to eligible patients through patient access and co-pay assistance programs at Walgreens U.S. retail pharmacy locations, as well as participating independent retail pharmacies.

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

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

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

Salix - We believe in our GI product portfolio and we have implemented initiatives, including increasing our marketing investment in Xifaxan[®], to further capitalize on the value of the infrastructure we have built around these products to extend our market share. We have continued our investment in Xifaxan[®] DTC advertising and new sales force capabilities. In January 2026, we received the results for the double-blind Phase 3 clinical trials for two global RED-C clinical programs evaluating our rifaximin SSD formulation, designed to prevent overt hepatic encephalopathy and related complications in patients with early-stage liver cirrhosis. While safe and well-tolerated, both clinical trials did not meet the primary endpoint. We have also invested in developing our investigational oral drug Amiselimod (S1P modulator) for the treatment of moderate to severe ulcerative colitis. We have met with the FDA for an end of Phase 2 meeting, as well as with the EU's European Medicines Agency and Japan's Pharmaceuticals and Medical Devices Agency for Amiselimod (S1P modulator) for the treatment of moderate to severe ulcerative colitis. All regulatory feedback is currently under review.

International - Our International product portfolio includes our recently launched product, CABTREO[®] Topical Gel, a triple-combination topical treatment for acne. Our current focus is on expanding towards general practitioners ("GPs") and strengthening awareness and education for both GPs and patients.

Solta Medical - More than 75% of our Solta Medical business revenue 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, such as the recent acquisition of our distributor partner in China, Shibo Zhenmei as discussed above. We are also broadening the reach of our DTC campaigns in the U.S., the expansion of Thermage[®] FLX which was approved by China's National Medical Products Administration as a medical device in January 2024 and granted medical device license clearance by Health Canada in April 2025, and the strengthening of our sales force in North America, Asia and Europe. We received FDA approval of Fraxel FTX[®] in 2024 and launched in the U.S. in April 2025 at the American Society for Laser Medicine & Surgery.

Diversified - We continue to seek ways to bring out value in our promoted and nonpromoted products within our Diversified portfolio. In the first quarter of 2024, we launched CABTREO[®] Topical Gel in the U.S. adding to our established acne product portfolio.

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 "INTRODUCTION" above for additional information.

Voluntary Recall of enVista Intraocular Lenses

In March 2025, Bausch + Lomb announced a voluntary recall of certain enVista IOL products. The recall was in response to an increased number of reports of toxic anterior segment syndrome, and included all lots of the enVista Aspire, enVista Aspire Toric, enVista Envy and enVista Envy Toric, as well as enVista monofocal and enVista monofocal Toric IOL models in the U.S. On April 24, 2025, Bausch + Lomb announced that it, with the assistance of experts and advisors, had completed its investigation into the matter and determined that the issue stemmed from raw material used in certain lots that was delivered by a different vendor.

In response to the investigation, Bausch + Lomb implemented enhanced inspection protocols for IOLs, as well as more explicit standards for how the monomers that make up its lenses are prepared by vendors. With these new processes in place, Bausch + Lomb returned to full production of all enVista IOLs and during the fourth quarter of 2025, enVista IOL sales reached their pre-recall levels.

Macroeconomic Matters

The Company is monitoring ongoing policy changes being made by the Trump administration and the responses to these policy changes by foreign governments, including those related to existing trade agreements, the actual or threatened imposition of new tariffs and non-tariff barriers, and amendments to existing tariffs, and the counter-duties, counter-tariffs and/or other counter-measures threatened or implemented in response by other countries, and the tensions between the U.S. and other members of NATO. Some of these policies have targeted countries in which we do business and sectors in which we do business, including pharmaceuticals. Given the international scope of our operations, any sanctions, export controls, tariffs, trade wars and other governmental actions, could have an adverse effect on our business, financial condition, cash flows and results of operations. Similarly, adverse economic conditions impacting our customers in these countries or uncertainty about global economic conditions could cause purchases of our products to decline, which would adversely affect our revenues and operating results.

See Item 1A. “Risk Factors” of this Form 10-K for additional information on the risks associated with tariffs.

Russia-Ukraine War

In February 2022, Russia invaded Ukraine. As military activity and sanctions against Russia and specific areas of Ukraine have continued, the war has continued to affect economic and global financial markets and placed further pressure on ongoing economic challenges, including issues such as inflation and global supply-chain disruption. The U.S., Canada, the EU and other jurisdictions have imposed sanctions and export controls against Russia in response to the ongoing war. To date, the challenges associated with the Russia-Ukraine war and ongoing sanctions have not had a material impact on our operations; although, we continue to review EU sanctions and are still assessing their impact on our operations.

Our revenues attributable to Russia, Ukraine and Belarus for 2025, 2024 and 2023 were approximately 2% of our total revenues each year. In addition, we do not have any research or manufacturing facilities in Russia, Ukraine or Belarus. While we have been monitoring this conflict, and will continue to do so as this conflict continues to evolve, we are unable to predict the impact of this conflict on our business.

For a further discussion of these and other risks relating to our international business, see Item 1A. “Risk Factors” of this Form 10-K.

Global Minimum Corporate Tax

On October 8, 2021, the OECD published a statement that outlined the key components of a two-pillar plan to address the tax challenges arising from the digitalisation of the economy, agreed by the OECD/G20 inclusive framework on Base Erosion and Profit Shifting (the “Inclusive Framework”), which includes 145 member jurisdictions. Under pillar one, a portion of the residual profits of multinational enterprise (“MNE”) groups with global turnover above €20 billion and a profit margin above 10% would be allocated to (and taxed in) market jurisdictions. Under pillar two, a global minimum corporate tax rate of 15% would apply to undertaxed profits of MNE groups with consolidated revenue of at least €750 million. Many jurisdictions in which the Company operates have adopted the global minimum tax provision of the OECD pillar two effective for tax years beginning in January 2024. On January 20, 2025, President Trump signed an executive order stating that the Global Tax Deal, including the OECD two-pillar plan, has no force and effect in the U.S. It further provides for the U.S. Treasury Secretary to develop options for responding to foreign countries’ tax rules that are extraterritorial in nature or that could disproportionately impact U.S. companies, with findings and recommendations to be delivered to the President. On June 28, 2025, the U.S. Department of the Treasury announced that an agreement was reached between the U.S. and other members of the Group of Seven major advanced economies (the “G7”). Under the terms of this agreement, the U.S. parented MNEs will be exempt from certain elements of pillar two. In January 2026, the OECD published the “side by side” arrangement package to implement this exclusion. See Item 1A “Risk Factors” of this Form 10-K for more information.

We have included the estimated impact of the Inclusive Framework, as currently adopted, in our tax provision beginning in 2024. While the estimated impact is not material, it is possible that the further implementation of the Inclusive Framework could have a material effect on our liability for corporate taxes or our consolidated tax rate in the future.

One Big Beautiful Bill Act

On July 4, 2025, President Trump signed into law the OBBBA. The effects of this legislation for the Company include extending and modifying certain key provisions of the Tax Cuts and Jobs Act enacted in December 2017 (both domestic and international). The corporate tax rate remains unchanged but bonus, depreciation and an adjustment to the interest limitation were retroactive to January 1, 2025. The OBBBA makes additional changes to international tax provisions, including substantive changes to existing Global Intangible Low Tax Income, foreign-derived intangible income, and base erosion and

anti-abuse tax provisions. These changes are effective for taxable years after 2025. The impact of this legislation does not materially impact the current period nor do we expect it to have a material impact on our tax positions for future years.

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 focused on health care cost containment, which resulted in pricing pressures relating to the sales and reimbursements of health care products.

In August 2022, the IRA was signed into law, which among other matters made significant changes to how drugs are covered and paid for under the Medicare program, including imposing financial penalties if drug prices are increased at a rate faster than inflation, redesigning Medicare Part D benefits to shift a greater portion of the costs to manufacturers and allowing the U.S. government to set prices for certain drugs in Medicare. The IRA provides for (i) the U.S. government to set or “negotiate” prices for select high-cost Medicare Part D (beginning in 2026) and Medicare Part B drugs (beginning in 2028) that are more than nine years (for small-molecule drugs) or 13 years (for biological products) from their initial FDA approval, (ii) manufacturers to pay a rebate for Medicare Part B and Part D drugs when prices increase faster than inflation beginning in 2022 for Medicare Part D and 2023 for Medicare Part B drugs and (iii) Medicare Part D redesign which replaced the current Part D Coverage Gap Discount Program and established a \$2,000 cap for out-of-pocket limits costs for Medicare beneficiaries beginning in 2025, which has increased to \$2,100 for 2026, with manufacturers being responsible for 10% of costs up to the \$2,100 cap and 20% after that cap is reached. Although we have taken certain actions which we believe may mitigate any negative pricing impact, the reduction of prices or reimbursement levels for certain of our products could materially affect our business and consolidated results of operations and may accelerate revenue erosion prior to the expiration of intellectual property protections.

In January 2025, the CMS selected Xifaxan[®] for its drug price negotiation program as part of the IRA. There remains a possibility that additional products from our portfolio may be selected in subsequent years. After the Company completed negotiations with the CMS, the finalized maximum fair prices were announced publicly on November 25, 2025. The agreed price for Xifaxan[®] will take effect on January 1, 2027, and is projected to reduce revenue and operating results for Xifaxan[®] primarily in that year. As generic versions of Xifaxan[®] are expected to enter the market in 2028, the impact on our revenues and operating results is anticipated to be concentrated in 2027, and is not expected to have a substantial influence on our long-term business strategies or overall cash flow.

Although management continues to evaluate the potential impact of the IRA, the anticipated short-term impact is not expected to affect the recoverability or useful lives of our Xifaxan[®]-related intangible assets or the carrying value of Salix’s goodwill based on our most recent assessment.

In addition, certain U.S. states have passed legislation intended to impact pricing or requiring manufacturers to report price increases to states, including certain states also allowing for drug affordability (i.e. price control) review boards. It is expected that state legislatures will continue to focus on drug pricing in 2026 and beyond and that similar bills will be passed in more states. These proposals create new authorities for state regulatory bodies to limit reimbursement for certain drugs and such efforts may expand to additional states.

Over the past several years, numerous legislative changes have caused the Company and other pharmaceutical manufacturers to re-evaluate participation in optional Federal programs.

In 2025, Bausch Health US, LLC (“BHUS”) ceased participation in two optional Federal drug pricing programs – the Medicaid Drug Rebate Program (“MDRP”) and the 340B Drug Pricing Program (“340B”). BHUS provided notice to the CMS and the Health Resources and Services Administration of the end of its participation in these programs effective September 30, 2025. Other Federal programs such as Medicare and the Federal Supply Schedule (supporting agencies such as the Department of Veterans Affairs and the Department of Defense) are not affected by this decision. We continue to evaluate the Company’s participation in government channels.

The Company remains fully committed to the patients who are prescribed our products and understands the importance of its therapies to patients supported through Federal government programs. To prioritize the needs of patients first, effective October 1, 2025, the Company expanded support of Medicaid-eligible patients for most single-source pharmaceuticals through an enhanced Patient Assistance Program, where eligible patients will receive the pharmaceutical free of charge. Our goal is to maintain a straightforward process to ensure continuity of care for patients, physicians and caregivers during this transition.

While the ultimate long-term outcome, including any impact on our business and consolidated results of operations, of discontinuing our participation in the MDRP and 340B is still being assessed, it did not negatively impact our results in 2025.

Generic Competition and Loss of Exclusivity

Certain of our products face the expiration of their patent or regulatory exclusivity in 2026 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 2026 or in later years. Following a loss of exclusivity (“LOE”) of and/or generic competition for a product, we would anticipate that product sales for such product would decrease significantly shortly following the LOE or entry of a generic competitor. Where we have the rights, we may elect to launch an 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 AG, 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.

2026 through 2029 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 2026 through 2029. These products and year of expected LOE include, but are not limited to, Aplenzin® (2026), Bryhali® (2026), Relistor® Subcutaneous (2028) and Xifaxan® (2028) in the U.S. and Jublia® (2028) in Canada. These dates may change based on, among other things, challenges 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® 550 mg, Trulance®, Cabtreo® and Lumify® 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 21, “LEGAL PROCEEDINGS” to our audited Consolidated Financial Statements 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 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 this Form 10-K for additional information on our competition risks.

FINANCIAL PERFORMANCE HIGHLIGHTS

The following table provides financial performance highlights for the last two years:

<i>(in millions, except per share data)</i>	Years Ended December 31,		Change
	2025	2024	2024 to 2025
Revenues	\$ 10,266	\$ 9,625	\$ 641
Operating income	\$ 1,813	\$ 1,546	\$ 267
Income before income taxes	\$ 367	\$ 167	\$ 200
Net income (loss)	\$ 120	\$ (72)	\$ 192
Net income (loss) attributable to Bausch Health Companies Inc.	\$ 157	\$ (46)	\$ 203
Earnings (loss) per share attributable to Bausch Health Companies Inc.			
Basic	\$ 0.42	\$ (0.13)	\$ 0.55
Diluted	\$ 0.42	\$ (0.13)	\$ 0.55

A detailed discussion of the year-over-year changes of the Company's 2024 results compared with that of 2023 can be found under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2024 filed on February 19, 2025.

Financial Performance

Summary of 2025 Compared with 2024

Revenues for 2025 and 2024 were \$10,266 million and \$9,625 million, respectively, an increase of \$641 million, or 7%. The increase is attributable to growth in our Bausch + Lomb, Salix, Solta Medical and International segments driven by: (i) improved net realized pricing, (ii) higher volumes, (iii) the favorable impact of foreign currencies, (iv) the impact of divestitures and discontinuations and (v) incremental sales attributable to acquisitions.

Operating income was \$1,813 million and \$1,546 million for 2025 and 2024, respectively, and included non-cash charges for Depreciation and amortization of intangible assets of \$1,208 million and \$1,267 million, Asset impairments of \$8 million and \$29 million, Goodwill impairments of \$145 million and \$0 and Share-based compensation of \$216 million and \$150 million, respectively. The increase in our operating results of \$267 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 \$418 million, primarily driven by the increase in revenues as previously discussed;
- an increase in Selling, general and administrative expenses of \$142 million, primarily attributable to higher selling expenses and compensation costs, partially offset by a lower annual industry assessment fee;
- an increase in Goodwill impairments of \$145 million, due to impairments to goodwill in our Generics reporting unit;
- a decrease in Asset impairments of \$21 million; and
- a decrease in Other expense, net of \$105 million, primarily attributable to: (i) lower provisions for certain legal matters during 2025 and (ii) lower Acquisition-related contingent consideration during 2025, partially offset by an increase in Acquired in-process research and development ("IPR&D") costs primarily related to the acquisition of DURECT.

Income before income taxes for 2025 and 2024 was \$367 million and \$167 million, respectively, an increase in our results of \$200 million. The change is primarily attributable to the increase in our operating results of \$267 million, as previously discussed, and an increase in Gain on extinguishment of debt of \$139 million, partially offset by an increase in interest expense of \$216 million.

Net income attributable to Bausch Health for 2025 was \$157 million as compared to Net loss attributable to Bausch Health for 2024 of \$46 million, an increase in our results of \$203 million, and is primarily attributable to a favorable change in our income before income taxes of \$200 million, as previously discussed, and an unfavorable change in income taxes of \$8 million.

RESULTS OF OPERATIONS

Our results for the years 2025 and 2024 were as follows:

<i>(in millions)</i>	Years Ended December 31,		Change
	2025	2024	2024 to 2025
Revenues			
Product sales	\$ 10,156	\$ 9,518	\$ 638
Other revenues	110	107	3
	<u>10,266</u>	<u>9,625</u>	<u>641</u>
Expenses			
Cost of goods sold (excluding amortization and impairments of intangible assets)	2,949	2,729	220
Cost of other revenues	64	53	11
Selling, general and administrative	3,438	3,296	142
Research and development	629	616	13
Amortization of intangible assets	1,001	1,077	(76)
Goodwill impairments	145	—	145
Asset impairments	8	29	(21)
Restructuring, integration and separation costs	77	32	45
Other expense, net	142	247	(105)
	<u>8,453</u>	<u>8,079</u>	<u>374</u>
Operating income	1,813	1,546	267
Interest income	48	33	15
Interest expense	(1,604)	(1,388)	(216)
Gain on extinguishment of debt	162	23	139
Foreign exchange and other	(52)	(47)	(5)
Income before income taxes	367	167	200
Provision for income taxes	(247)	(239)	(8)
Net income (loss)	120	(72)	192
Net loss attributable to noncontrolling interest	37	26	11
Net income (loss) attributable to Bausch Health Companies Inc.	<u>\$ 157</u>	<u>\$ (46)</u>	<u>\$ 203</u>

2025 Compared with 2024

Revenues

The Company's revenues are primarily generated from product sales, principally in the therapeutic areas of GI, 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 primarily in the areas of dermatology and topical medication. Contract service revenue is derived primarily from contract manufacturing for third parties and is not material. See Note 23, "SEGMENT INFORMATION" to our audited Consolidated Financial Statements for the disaggregation of revenue which depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by the economic factors of each category of customer contracts.

Our revenues were \$10,266 million and \$9,625 million for 2025 and 2024, respectively, an increase of \$641 million, or 7%. The increase was primarily due to: (i) an increase in net realized pricing of \$303 million, attributable to our Salix, Diversified, International and Solta Medical segments, (ii) an increase in volumes of \$220 million, primarily attributable to our Bausch + Lomb, Solta Medical and Salix segments, (iii) the favorable impact of foreign currencies of \$72 million, primarily related to our Bausch + Lomb and International segments, (iv) the impact of divestitures and discontinuations of \$30 million, attributable to our Salix and Diversified segments and (v) incremental sales attributable to B+L acquisitions of \$16 million.

The changes in our segment revenues and segment profits 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 2, “SIGNIFICANT ACCOUNTING POLICIES” to our audited 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. Returns provision balances and volume discounts to direct customers are included in Accrued and other current liabilities. All other provisions related to direct customers are included in Trade receivables, net, while provision balances related to indirect customers are included in Accrued and other current liabilities.

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 2025 and 2024 were as follows:

<i>(in millions)</i>	Years Ended December 31,			
	2025		2024	
	Amount	Pct.	Amount	Pct.
Gross product sales	\$ 17,334	100.0 %	\$ 16,325	100.0 %
Provisions to reduce gross product sales to net product sales				
Discounts and allowances	730	4.2 %	675	4.1 %
Returns	125	0.7 %	160	1.0 %
Rebates	4,364	25.2 %	3,744	22.9 %
Chargebacks	1,644	9.5 %	1,935	11.9 %
Distribution service fees	315	1.8 %	293	1.8 %
	7,178	41.4 %	6,807	41.7 %
Net product sales	\$ 10,156	58.6 %	\$ 9,518	58.3 %

Cash discounts and allowances, returns, rebates, chargebacks and distribution service fees as a percentage of gross product sales were 41.4% and 41.7% in 2025 and 2024, respectively, and includes:

- rebates as a percentage of gross product sales which were higher primarily due to: (i) Bausch + Lomb’s XIIDRA® and MIEBO®, (ii) increased gross product sales for certain branded products such as CABTREO® and Xifaxan®, partially offset by lower gross product sales for Glumetza® SLX and Arazlo® and (iii) lower rebates for Trulance® partially offset by;
- chargebacks as a percentage of gross product sales which were lower primarily due to: (i) lower gross product sales of certain branded products such as Glumetza® SLX, Cardizem® CD and Ativan® and certain generic products such Uceris® AG, Cardizem® AG, Migranal® AG and Diltizem® CD AG and (ii) lower chargeback rates for Wellbutrin®. These decreases were partially offset by increased gross product sales for Xifaxan®.

Operating 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 net

realizable value 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 \$2,949 million and \$2,729 million for 2025 and 2024, respectively, an increase of \$220 million, or 8%. The increase was primarily driven by: (i) the increase in volumes, (ii) the unfavorable impact of foreign currencies and (iii) higher manufacturing variances, including that related to the voluntary recall of certain enVista IOL products.

Cost of goods sold as a percentage of Product sales revenue was 29.0% and 28.7% for 2025 and 2024, respectively, an increase of 0.3 percentage points.

Selling, General and Administrative Expenses

SG&A expenses primarily include: employee compensation associated with sales and marketing, finance, legal, information technology, human resources and other administrative functions; certain outside legal fees and consultancy costs; product promotion expenses; overhead and occupancy costs; depreciation of corporate facilities and equipment; and other general and administrative costs. The Company has incurred and expects to continue to incur, incremental costs with respect to the B+L Separation. These separation-related costs include, but are not limited to rebranding costs and costs associated with facility relocation and/or modification.

SG&A expenses were \$3,438 million and \$3,296 million for 2025 and 2024, respectively, an increase of \$142 million, or 4%. The increase was primarily attributable to higher selling expenses and compensation costs, partially offset by a lower annual industry assessment fee.

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 \$629 million and \$616 million for 2025 and 2024, respectively, an increase of \$13 million, or 2%. R&D expenses as a percentage of Product sales were approximately 6% for each of the years 2025 and 2024.

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 \$1,001 million and \$1,077 million for 2025 and 2024, respectively, a decrease of \$76 million, or 7%, primarily attributable to fully amortized intangible assets no longer being amortized in 2025.

See Note 8, "INTANGIBLE ASSETS AND GOODWILL" to our audited 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 at the reporting unit level. An interim goodwill impairment test in advance of the annual impairment assessment may be required if events occur that indicate an impairment might be present. A reporting unit is the same as, or one level below, an operating segment. We test reporting units for impairment by comparing the estimated fair value of each reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its estimated fair value, we record an impairment based on the difference between fair value and carrying amount of the reporting unit as a reduction to goodwill. The fair value of a reporting unit refers to the price that would be received to sell the reporting unit in an orderly transaction between market participants. We estimate the fair values of our reporting units using a discounted cash flow model, which utilizes Level 3 unobservable inputs.

Goodwill impairments were \$145 million during 2025 related to our Generics reporting unit. There were no impairments to goodwill in 2024.

In January 2026, the Company received the results for the double-blind Phase 3 clinical trials for two global RED-C clinical programs evaluating amorphous-rifaximin SSD for the primary prevention of hepatic encephalopathy in adults with liver cirrhosis. While the treatment was safe and well-tolerated, the clinical trials did not meet their primary endpoints. As a

result of these clinical trial outcomes, the Company performed a preliminary quantitative analysis as of January 22, 2026 for the Salix reporting unit using revised forecasts, an updated discount rate, and a new long-term growth rate that reflect the impact of the Phase 3 clinical trial results. We anticipate recognizing an impairment charge of approximately \$1,400 million for the Salix reporting unit in the first quarter of 2026.

See Note 8, “INTANGIBLE ASSETS AND GOODWILL” to our audited Consolidated Financial Statements and “CRITICAL ACCOUNTING ESTIMATES — Goodwill” below 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 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.

Asset impairments for 2025 and 2024 were \$8 million and \$29 million, respectively, and were primarily related to lower forecasted sales, the discontinuance of certain product brands and certain fixed assets.

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

Restructuring, integration and separation costs

Restructuring, integration and separation costs were \$77 million and \$32 million for 2025 and 2024, respectively, an increase of \$45 million.

The Company evaluates opportunities to improve its operating results and implements cost savings programs to streamline its operations and eliminate redundant processes and expenses. Restructuring and integration costs 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 \$77 million and \$29 million for 2025 and 2024, respectively, an increase of \$48 million. The Company continues to evaluate opportunities to streamline its operations and identify additional cost savings globally. Although a specific plan does not exist at this time, the Company may identify and take additional exit and cost-rationalization restructuring actions in the future, the costs of which could be material. Separation costs for 2025 and 2024 were not material.

See Note 4, “RESTRUCTURING, INTEGRATION AND SEPARATION COSTS” to our audited Consolidated Financial Statements for further details regarding these actions.

Other expense, net

Other expense, net for 2025 and 2024 consists of the following:

<i>(in millions)</i>	2025	2024
Acquired IPR&D costs	\$ 114	\$ 18
Litigation and other matters, net of insurance recoveries and restitutions	61	220
Acquisition-related transaction costs	9	4
Net gain on sale of assets	(6)	(10)
Acquisition-related contingent consideration	(36)	15
Other expense, net	<u>\$ 142</u>	<u>\$ 247</u>

Acquired IPR&D costs in 2025 are primarily related to the DURECT acquisition and certain Bausch + Lomb acquisitions.

Litigation and other matters, net of insurance recoveries and restitutions primarily relates to adjustments to provisions for certain legal matters. Litigation and other matters, net of insurance recoveries and restitutions for 2025, also includes restitution received in connection with a certain legal matter.

Acquisition-related contingent consideration for 2025 and 2024 reflects adjustments for changes in estimates in the timing and amounts of the expected future royalty and milestone payments and in 2024, also includes other adjustments of \$18 million related to certain branded products.

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 \$1,604 million and \$1,388 million and included non-cash amortization and write-offs of debt discounts, premiums and debt issuance costs of \$94 million and \$55 million for 2025 and 2024, respectively. Interest expense increased \$216 million, or 16%, in 2025. The increase is attributable to: (i) write-offs of premiums, discounts and deferred issuance costs associated with the accounting for the April 2025 Refinancing Transactions, the B+L 2025 Refinancing Activity and the December 2025 Exchange and (ii) higher effective interest rates on the debt as refinanced in 2025.

The weighted average stated rate of interest as of December 31, 2025 and 2024 was 8.54% and 7.72%, respectively. Due to the accounting treatment for the 2022 Secured Notes (as defined in Note 10, "FINANCING ARRANGEMENTS" to our audited Consolidated Financial Statements), 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

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. Gain on extinguishment of debt was \$162 million and \$23 million in 2025 and 2024, respectively, an increase of \$139 million.

In connection with the April 2025 Refinancing Transactions, the August 2025 Repurchase Activity, the AR Credit Facility termination and the B+L 2025 Refinancing Activity, the Company recognized a net gain on extinguishment of debt of \$162 million in 2025. Gain on extinguishment of debt of \$23 million in 2024 is attributable to repurchases of certain outstanding senior unsecured notes, as previously discussed.

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

Foreign Exchange and Other

Foreign exchange and other was a loss of \$52 million and \$47 million for 2025 and 2024, respectively, an unfavorable net change of \$5 million.

Income Taxes

Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the temporary differences between the financial statement and income tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets for outside basis differences in investments in subsidiaries are only recognized if the difference will be realized in the foreseeable future. Provision for income taxes was \$247 million and \$239 million for 2025 and 2024, respectively, an unfavorable change of \$8 million, primarily attributable to changes in our jurisdictional mix of earnings. In 2025, the Company's valuation allowance increased \$292 million primarily due to increase for losses in Canada and a change in the expected realizability of net deferred tax assets in the United States.

Our consolidated foreign rate differential reflects the net total tax cost or benefit on income earned or losses incurred in jurisdictions outside of Canada as compared to the net total tax cost or benefit of such income (on a jurisdictional basis) at the Canadian statutory rate of 25%. Tax costs below the Canadian statutory rate generate a beneficial foreign rate differential as do tax benefits generated in jurisdictions where the statutory tax rate exceeds the Canadian statutory tax rate. The net total foreign rate differentials generated in each jurisdiction in which we operate is not expected to bear a direct relationship to the net total amount of foreign income (or loss) earned outside of Canada.

In 2025, our effective tax rate 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 recorded, (ii) the tax provision generated from our mix of earnings by jurisdiction, (iii) changes in the realizability of net deferred tax assets, (iv) changes in uncertain tax positions and (v) changes in tax attributes.

In 2024, our effective tax rate 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 recorded, (ii) changes in uncertain tax positions, (iii) the tax provision generated from our mix of earnings by jurisdiction, (iv) changes in the valuation allowance related to foreign tax credits and net operating losses and (v) changes in tax attributes.

We record a valuation allowance against our deferred tax assets to reduce their net carrying value to an amount that we believe is more likely than not to be realized. In determining our deferred tax asset valuation allowance, we estimate our ability to utilize future sources of income to realize the benefits of our temporary income tax differences including: (i) net operating loss carryforwards in each jurisdiction, primarily in Canada, the U.S. and Ireland, (ii) research and development tax credit carryforwards, (iii) scientific research and experimental development pool carryforwards and (iv) investment tax credit carryforwards. When we establish/increase or reduce/decrease the valuation allowance, the provision for income taxes will increase or decrease, respectively, in the period such determination is made. Our valuation allowance against deferred tax assets as of December 31, 2025 and 2024 was \$2,576 million and \$2,284 million, respectively, an increase of \$292 million, as discussed above.

See Note 17, “INCOME TAXES” to our audited Consolidated Financial Statements for further details.

Reportable Segment Revenues and Profits

Our portfolio of products falls into five reportable segments: (i) Salix, (ii) International, (iii) Solta Medical, (iv) Diversified and (v) Bausch + Lomb.

Segment profit is based on operating income after the elimination of intercompany transactions. Certain costs, such as Amortization of intangible assets, Goodwill impairments, Asset impairments, Restructuring, integration and separation costs, and Other expense, net, are not included in the measure of segment profit, as management excludes these items in assessing segment financial performance. See Note 23, “SEGMENT INFORMATION” to our audited Consolidated Financial Statements for additional discussion of our reportable segments and reconciliation of segment profit to Income (loss) before income taxes.

The following table presents segment revenues, segment revenues as a percentage of total revenues and the year over year changes in segment revenues for 2025 and 2024. 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 2025 and 2024.

	Years Ended December 31,				Change	
	2025		2024		2024 to 2025	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
<i>(in millions)</i>						
Segment Revenue						
Salix	\$ 2,578	25 %	\$ 2,333	24 %	\$ 245	11 %
International	1,132	11 %	1,111	12 %	21	2 %
Solta Medical	518	5 %	440	5 %	78	18 %
Diversified	937	9 %	950	9 %	(13)	(1)%
Bausch + Lomb	5,101	50 %	4,791	50 %	310	6 %
Total revenues	<u>\$ 10,266</u>	<u>100 %</u>	<u>\$ 9,625</u>	<u>100 %</u>	<u>\$ 641</u>	<u>7 %</u>
Segment Profits / Segment Profit Margins						
Salix	\$ 1,925	75 %	\$ 1,602	69 %	\$ 323	20 %
International	334	30 %	376	34 %	(42)	(11)%
Solta Medical	232	45 %	213	48 %	19	9 %
Diversified	627	67 %	626	66 %	1	— %
Bausch + Lomb	1,125	22 %	1,108	23 %	17	2 %
Total	<u>\$ 4,243</u>	<u>41 %</u>	<u>\$ 3,925</u>	<u>41 %</u>	<u>\$ 318</u>	<u>8 %</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 year over year changes in organic revenue (Non-GAAP) for 2025 and 2024 by segment.

(in millions)	Year ended December 31, 2025				Year ended December 31, 2024			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	\$ 2,578	\$ —	\$ —	\$ 2,578	\$ 2,333	\$ 33	\$ 2,366	\$ 212	9 %
International	1,132	(19)	—	1,113	1,111	(8)	1,103	10	1 %
Solta Medical	518	5	—	523	440	—	440	83	19 %
Diversified	937	—	—	937	950	17	967	(30)	(3)%
Bausch + Lomb	5,101	(58)	(16)	5,027	4,791	(12)	4,779	248	5 %
Total	<u>\$ 10,266</u>	<u>\$ (72)</u>	<u>\$ (16)</u>	<u>\$ 10,178</u>	<u>\$ 9,625</u>	<u>\$ 30</u>	<u>\$ 9,655</u>	<u>\$ 523</u>	<u>5 %</u>

Salix Segment:

Salix Segment Revenue

The Salix segment includes the Xifaxan[®] product line, which accounted for approximately 85% of the Salix segment revenues and over 20% of the Company's revenues for each of the years 2025 and 2024. No other single product group represents 10% or more of the Salix segment revenues. The Salix segment revenue was \$2,578 million and \$2,333 million for 2025 and 2024, respectively, an increase of \$245 million, or 11%. The increase was primarily attributable to: (i) an increase in net realized pricing of \$192 million, (ii) the \$33 million impact from the discontinuation of certain non-promoted products which negatively impacted our revenues in 2024 and (iii) an increase in volumes of \$20 million.

Salix Segment Profit

The Salix segment profit was \$1,925 million and \$1,602 million for 2025 and 2024, respectively, an increase of \$323 million, or 20%. The increase was primarily driven by higher contribution attributable to: (i) the increase in revenues as previously discussed, (ii) lower SG&A expenses and (iii) lower R&D expenses, partially offset by an increase in advertising and promotion 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 \$1,132 million and \$1,111 million for 2025 and 2024, respectively, an increase of \$21 million, or 2%. The increase was primarily attributable to: (i) an increase in net realized pricing of \$73 million and (ii) the favorable impact of foreign currencies of \$19 million, partially offset by: (i) a decrease in volumes of \$63 million and (ii) the impact of divestitures and discontinuations of \$8 million.

International Segment Profit

The International segment profit for 2025 and 2024 was \$334 million and \$376 million, respectively, a decrease of \$42 million, or 11%. The decrease was primarily driven by an unfavorable change in year over year product mix and an increase in SG&A expenses.

Solta Medical Segment:

Solta Medical Segment Revenue

The Solta Medical segment includes the Thermage[®] product lines, which accounted for over 85% of the Solta Medical segment revenues for each of the years 2025 and 2024. No other single product group represents 10% or more of the Solta Medical segment revenues. The Solta Medical segment revenue was \$518 million and \$440 million for 2025 and 2024, respectively, an increase of \$78 million, or 18%. The increase was primarily attributable to: (i) an increase in volumes of \$74 million, primarily attributable to the Asia-Pacific region and (ii) an increase in net realized pricing of \$9 million, partially offset by the unfavorable impact of foreign currencies of \$5 million.

Solta Medical Segment Profit

The Solta Medical segment profit was \$232 million and \$213 million for 2025 and 2024, respectively, an increase of \$19 million, or 9%. The increase was primarily driven by higher contribution attributable to the increase in revenues as previously discussed, partially offset by higher selling, advertising and promotion expenses and R&D expenses.

Diversified Segment:

Diversified Segment Revenue

The Diversified segment revenue was \$937 million and \$950 million for 2025 and 2024, respectively, a decrease of \$13 million, or 1%. The decrease was primarily driven by a decrease in volumes of \$112 million, primarily in our Neuroscience and Dermatology businesses, partially offset by: (i) an increase in net realized pricing of \$82 million, primarily in our Neuroscience business and (ii) the \$17 million impact from the discontinuation of certain non-promoted products which negatively impacted our revenues in 2024, primarily in our Dermatology and Generics businesses.

Diversified Segment Profit

The Diversified segment profit was \$627 million and \$626 million for 2025 and 2024, respectively, an increase of \$1 million, and was primarily attributable to lower advertising and promotion expenses, partially offset by the decrease in revenues, as previously discussed.

Bausch + Lomb Segment:

Bausch + Lomb Segment Revenue

The Bausch + Lomb segment has a diversified product line with no single product group representing 10% or more of its segment revenues. The Bausch + Lomb segment revenue was \$5,101 million and \$4,791 million for 2025 and 2024, respectively, an increase of \$310 million, or 6%. The increase was primarily due to: (i) an increase in volumes of \$301 million across all the Bausch + Lomb businesses, (ii) the favorable impact of foreign currencies of \$58 million and (iii) incremental sales attributable to acquisitions of \$16 million, primarily within the Surgical business, partially offset by: (i) a decrease in net realized pricing of \$53 million and (ii) the impact of divestitures and discontinuations of \$12 million, primarily within the Vision Care business.

Bausch + Lomb Segment Profit

The Bausch + Lomb segment profit was \$1,125 million and \$1,108 million for 2025 and 2024, respectively, an increase of \$17 million, or 2%. The increase was primarily driven by higher contribution attributable to the increase in revenues, as previously discussed, partially offset by higher: (i) selling, advertising and promotion expenses and (ii) R&D expenses.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Summarized cash flow information for the years 2025 and 2024 is as follows:

<i>(in millions)</i>	Years Ended December 31,		Change
	2025	2024	2024 to 2025
Net income (loss)	\$ 120	\$ (72)	\$ 192
Adjustments to reconcile Net income (loss) to net cash provided by operating activities	1,499	1,662	(163)
Cash provided by operating activities before changes in operating assets and liabilities	1,619	1,590	29
Changes in operating assets and liabilities	(219)	7	(226)
Net cash provided by operating activities	1,400	1,597	(197)
Net cash used in investing activities	(595)	(454)	(141)
Net cash used in financing activities	(742)	(868)	126
Effect of exchange rate changes on cash and cash equivalents	61	(36)	97
Net increase in cash, cash equivalents and restricted cash	124	239	(115)
Cash, cash equivalents and restricted cash, beginning of year	1,201	962	239
Cash, cash equivalents and restricted cash, end of year	<u>\$ 1,325</u>	<u>\$ 1,201</u>	<u>\$ 124</u>

A detailed discussion of the Company's 2023 cash flow information can be found under "Management's Discussion and Analysis of Liquidity and Capital Resources" in our Annual Report on Form 10-K for the year ended December 31, 2024 filed on February 19, 2025.

Operating Activities

Net cash provided by operating activities was \$1,400 million and \$1,597 million for 2025 and 2024, respectively, a decrease of \$197 million and includes reductions for interest payments of \$1,534 million and \$1,379 million and payments (net of refunds received) for income taxes of \$163 million and \$61 million for 2025 and 2024, respectively.

Cash provided by operating activities before changes in operating assets and liabilities was \$1,619 million and \$1,590 million for 2025 and 2024, respectively, an increase of \$29 million and is primarily attributable to improved cash flows from operating performance in 2025 as compared to 2024, partially offset by higher payments in 2025 as compared to 2024 for: (i) interest of \$155 million, (ii) income taxes of \$102 million and (iii) Acquired IPR&D of \$91 million, primarily related to the DURECT acquisition. Higher payments of interest were primarily the result of our refinancing activities in 2025 and higher interest rates.

Changes in operating assets and liabilities resulted in a net decrease in cash of \$219 million in 2025 and an increase of \$7 million in 2024, an unfavorable change of \$226 million. During 2025, Changes in operating assets and liabilities were impacted by: (i) timing of collection of trade receivables of \$134 million, (ii) an increase in inventories of \$12 million and (iii) unfavorable timing of certain payments in the ordinary course of business of \$73 million. During 2024, Changes in operating assets and liabilities were favorably impacted by timing of other payments in the ordinary course of business of \$490 million, partially offset by: (i) an increase in inventories of \$267 million and (ii) timing of collection of trade receivables of \$216 million.

Investing Activities

Net cash used in investing activities was \$595 million in 2025 and was primarily driven by Purchases of property, plant and equipment, the acquisition of Shibo Zhenmei and B+L acquisitions and other investments.

Net cash used in investing activities was \$454 million in 2024 and was primarily driven by Purchases of property, plant and equipment and B+L acquisitions and other investments.

Financing Activities

Net cash used in financing activities during 2025 was \$742 million and was primarily driven by the Issuance of long-term debt, net of discounts, of \$10,554 million which included net proceeds from the April 2025 Refinancing Transactions and the B+L 2025 Refinancing Activity (each as defined in Note 10, "FINANCING ARRANGEMENTS" to our audited Consolidated

Financial Statements). Issuance of long-term debt was offset by Repayments of long-term debt of \$11,191 million and payments of financing costs of \$45 million. Repayments of long-term debt included: (i) repayments of debt with the proceeds of the April 2025 Refinancing Transactions, the B+L 2025 Refinancing Activity, the August 2025 Repurchase Activity (as defined in Note 10, “FINANCING ARRANGEMENTS” to our audited Consolidated Financial Statements) and repayment of the AR Credit Facility, (ii) \$276 million of contractual interest payments on the 2022 Secured Notes allocated to the reduction of the recorded premiums and (iii) \$54 million of amortization payments related to our term loan facilities. Payments of financing costs primarily relate to the April 2025 Refinancing Transactions, the B+L 2025 Refinancing Activity and repayment of the AR Credit Facility.

Net cash used in financing activities during 2024 was \$868 million and was primarily driven by the Repayments of long-term debt of \$1,460 million which includes: (i) the repurchase and retirement of certain outstanding senior unsecured notes with aggregate par value of \$555 million for approximately \$530 million, (ii) \$400 million of repayments under the B+L Revolving Credit Facility, (iii) \$295 million of contractual interest payments on the 2022 Secured Notes allocated to the reduction of the recorded premiums, (iv) \$155 million of amortization on the Term Loan B Facilities and (v) repayments of \$50 million under our AR Credit Facility and \$30 million under our 2027 Revolving Credit Facility, partially offset by the Issuance of long-term debt of \$661 million, representing \$396 million from the B+L May 2027 Incremental Term Loan B Facility, borrowings of \$235 million under the B+L Revolving Credit Facility and \$30 million under the 2027 Revolving Credit Facility.

See Note 10, “FINANCING ARRANGEMENTS” to our audited Consolidated Financial Statements for further details regarding the financing activities previously described, including the definitions of certain defined terms used above but not defined in this “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”.

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 facilities, issuances of long-term debt and issuances of equity and equity-linked securities. We believe these sources will be sufficient to meet our current liquidity needs for the next twelve months.

Cash, cash equivalents and restricted cash as presented in the Consolidated Balance Sheet includes 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. As of December 31, 2025 and 2024, cash, cash equivalents and restricted cash was as follows:

<i>(in millions)</i>	2025	2024
Bausch Health	\$ 928	\$ 885
Bausch + Lomb	397	316
Total Cash, cash equivalents and restricted cash	<u>\$ 1,325</u>	<u>\$ 1,201</u>

As of December 31, 2025, we had aggregate maturities and mandatory payments of our principal balances of debt obligations as follows:

<i>(in millions)</i>	2026	2027	2028	2029	2030	Thereafter	Total
Bausch Health debt obligations	\$ 30	\$ 673	\$ 2,326	\$ 1,639	\$ 3,995	\$ 6,463	\$ 15,126
Bausch + Lomb debt obligations	28	28	1,914	23	123	2,990	5,106
Total debt obligations	<u>\$ 58</u>	<u>\$ 701</u>	<u>\$ 4,240</u>	<u>\$ 1,662</u>	<u>\$ 4,118</u>	<u>\$ 9,453</u>	<u>\$ 20,232</u>

We regularly evaluate market conditions, our liquidity profile and available financing alternatives and may consider executing opportunistic financing transactions, including but not limited to, refinancing or restructuring consolidated indebtedness, issuing new debt instruments, divesting of assets or businesses and issuing equity or equity-linked securities (including secondary offerings or other monetization of a portion of our holdings of common shares of Bausch + Lomb), as deemed appropriate, to manage our debt maturities and to improve our capital structure and liquidity.

Our ability to satisfy our debt obligations will depend principally upon our future operating performance, as well as our continuing efforts to improve our balance sheet. Our ability to restructure or refinance our debt, should we elect to do so, will

depend on the capital markets and our financial condition at such times. Additional information about these factors can be found in Item 1A. “Risk Factors – Debt-related Risks” of this Form 10-K.

Long-term Debt

Long-term debt, net of unamortized premiums, discounts and issuance costs was \$20,817 million and \$21,616 million as of December 31, 2025 and 2024, respectively. Aggregate contractual principal amounts due under our debt obligations were \$20,232 million and \$20,480 million as of December 31, 2025 and 2024, respectively, a decrease of \$248 million.

Accounting for the 2022 Exchange

During September 2022, the Company closed a series of transactions whereby it exchanged (the “2022 Exchange”) validly tendered senior unsecured notes for newly issued secured notes (the “2022 Secured Notes”). The Company performed an assessment of the 2022 Exchange 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 2022 Secured Notes and their carrying value was recorded as a premium and is included in long-term debt on the Company’s Consolidated Balance Sheet.

The original premium recorded on the 2022 Secured Notes was \$1,835 million, which has been reduced as contractual interest payments are made on the 2022 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 2025 and 2024, the Company made contractual interest payments of \$312 million and \$334 million, respectively, related to the 2022 Secured Notes, of which \$276 million and \$295 million, respectively, was recorded as a reduction of the premium.

In connection with the April 2025 Refinancing Transactions, we redeemed all of the 9.00% Intermediate Holdco Secured Notes issued in connection with the 2022 Exchange. The April 2025 Refinancing Transactions was accounted for as an extinguishment of debt and the unamortized premium associated with the 9.00% Intermediate Holdco Secured Notes was included in the gain on extinguishment of debt. In connection with the December 2025 Exchange, we exchanged \$886 million in aggregate principal amount of 11.00% First Lien Secured Notes with unamortized premiums of \$263 million for \$903 million of aggregate principal amount of 2032 Senior Secured Notes. This exchange was accounted for as a modification of debt, and accordingly the unamortized premium associated with the exchanged 11.00% First Lien Secured Notes will now be amortized over the remaining term of the newly issued 2032 Senior Secured Notes.

The following table presents the future scheduled contractual interest payments of our remaining 11.00% First Lien Secured Notes due 2028, 14.00% Second Lien Secured Notes due 2030 and 10.00% Senior Secured Notes due 2032 (together, the “Remaining Secured Notes”). Contractual interest payments of the Remaining Secured Notes 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 Consolidated Statements of Cash Flows.

<i>(in millions)</i>	2026	2027	2028	2029	2030	2031 to 2032	Total
Interest payments:							
11.00% First Lien Secured Notes due 2028	\$ 98	\$ 98	\$ 97	\$ —	\$ —	\$ —	\$ 293
14.00% Second Lien Secured Notes due 2030	49	49	49	49	50	—	246
10.00% Senior Secured Notes due 2032	600	600	600	600	600	900	3,900
	<u>\$ 747</u>	<u>\$ 747</u>	<u>\$ 746</u>	<u>\$ 649</u>	<u>\$ 650</u>	<u>\$ 900</u>	<u>\$ 4,439</u>
Interest payments recorded as:							
Interest expense	\$ 573	\$ 568	\$ 562	\$ 549	\$ 545	\$ 801	\$ 3,598
Reduction of recorded premium	174	179	184	100	105	99	841
	<u>\$ 747</u>	<u>\$ 747</u>	<u>\$ 746</u>	<u>\$ 649</u>	<u>\$ 650</u>	<u>\$ 900</u>	<u>\$ 4,439</u>

See Note 10, “FINANCING ARRANGEMENTS” to our audited Consolidated Financial Statements for further details on the accounting for the 2022 Exchange.

Senior Unsecured Notes

The Senior Unsecured Notes issued by the Company are the Company’s senior unsecured obligations and are jointly and severally guaranteed on a senior unsecured basis by each of its subsidiaries that is a guarantor under the 2025 Credit

Agreement, other than 126NumberCo and 1530065 B.C. Ltd. (“153NumberCo”). The Senior Unsecured Notes issued by Bausch Health Americas, Inc. (“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 2025 Credit Agreement, other than 126NumberCo and 153NumberCo. Future subsidiaries of the Company and BHA, if any, may be required to guarantee the Senior Unsecured Notes. The Senior Unsecured Notes and Secured Notes are guaranteed by a portion of the Company’s subsidiaries. On a non-consolidated basis, the non-guarantor subsidiaries with respect to the Senior Unsecured Notes and Secured Notes (other than the 2032 Senior Secured Notes) had total assets of \$26,030 million and \$16,252 million and total liabilities of \$17,438 million and \$8,982 million as of December 31, 2025 and 2024, respectively, revenues of \$5,914 million and \$5,509 million for 2025 and 2024, respectively, operating loss of \$26 million for 2025 and operating income of \$110 million for 2024. On a non-consolidated basis, the non-guarantor subsidiaries with respect to the 2032 Senior Secured Notes had total assets of \$16,595 million and total liabilities of \$8,171 million as of December 31, 2025 and revenues and operating loss of \$5,914 million and \$26 million for 2025, respectively.

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

Availability Under Revolving Credit Facilities

As of February 18, 2026, there were no outstanding borrowings, \$32 million of issued and outstanding letters of credit and approximately \$468 million of remaining availability under the 2030 Revolving Credit Facility.

As of February 18, 2026, there were \$100 million of outstanding borrowings, \$36 million of issued and outstanding letters of credit and \$664 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.

Weighted Average Interest Rate

The accounting for the 2022 Exchange results in the Remaining Secured Notes being carried at a premium relative to their principal amount and will result in reduced interest expense to be recorded in our financial statements for a significant portion of the Remaining Secured Notes as depicted in the table above. Therefore, interest expense recorded in our consolidated financial statements will differ significantly from the contractual interest rates of our debt. As of December 31, 2025, the weighted average interest rate of our debt as reported in our financial statements was 7.87% and the weighted average stated rate of interest was 8.54%.

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 Ratings

As of February 18, 2026, the credit ratings and outlook from Moody's, Standard & Poor'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	Stable		B1	Stable
Standard & Poor's	B-	B-	CCC+	Negative	B	B	Developing
Fitch					B	BB	Rating Watch Evolving

Bausch Health Companies Inc. - There were no changes to the corporate credit ratings or other credit ratings of the Company during the fourth quarter of 2025.

Bausch + Lomb Corporation - There were no changes to the corporate credit ratings or other credit ratings of Bausch + Lomb during the fourth quarter of 2025.

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 future effect on our results of operations, financial condition, capital expenditures, liquidity, or capital resources.

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

In addition to our working capital requirements, as of December 31, 2025, we expect our primary cash requirements for 2026 to include:

- *Debt repayments and interest payments*—Based on our debt portfolio, we expect to make mandatory maturities and amortization payments of approximately \$58 million and interest payments of approximately \$1,720 million during 2026. 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 other financing or refinancing actions, including the sale of equity or equity-linked securities, additional debt financings, and the monetization of a portion of our holdings of Bausch + Lomb;
- *Capital expenditures*—We expect to make payments of approximately \$345 million for property, plant and equipment during 2026;
- *Contingent consideration and milestone payments*—We expect to make contingent consideration and milestone payments of approximately \$175 million during 2026; and
- *Benefit obligations*—We expect to make aggregate payments under our pension and postretirement obligations of \$10 million during 2026. See Note 11, "PENSION AND POSTRETIREMENT EMPLOYEE BENEFIT PLANS" to our audited Consolidated Financial Statements for further details of our benefit obligations.

Future Costs of B+L Separation

The Company has incurred costs associated with activities to complete the B+L Separation and will continue to incur costs associated with the B+L Separation. These activities include the costs of separating the Bausch + Lomb business from the remainder of the Company. Separation costs are incremental costs directly related to the B+L Separation and include, but are not limited to, legal, audit and advisory fees. The Company has also incurred, and will incur, separation-related costs which are incremental costs indirectly related to the B+L Separation. These costs include, but are not limited to: (i) rebranding costs and (ii) costs associated with facility relocation and/or modification. The extent and timing of future charges for these costs cannot be reasonably estimated at this time and could be material.

Litigation Payments

In the ordinary course of business, the Company is involved in litigation, claims, government inquiries, investigations, charges and proceedings. As of December 31, 2025, the Company's Consolidated Balance Sheet includes accrued loss contingencies of \$178 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 21, "LEGAL PROCEEDINGS" to our audited 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 3, "LICENSING AGREEMENTS AND ACQUISITIONS" to our audited Consolidated Financial Statements. Payments associated with the upfront fee for these agreements cannot be reasonably estimated at this time and could be material.

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.

OUTSTANDING SHARE DATA

Our common shares are listed on the TSX and the NYSE under the ticker symbol "BHC".

At February 13, 2026, we had 370,562,428 issued and outstanding common shares. In addition, as of February 13, 2026, we had 5,214,156 stock options and 10,304,614 time-based restricted share units ("RSUs") that each represent the right of a holder to receive one of the Company's common shares and 3,745,852 performance-based RSUs 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 6,609,618 common shares could be issued upon vesting of the performance-based RSUs outstanding.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our business and financial results are affected by fluctuations in world financial markets, including the impacts of foreign currency exchange rate and interest rate movements. We evaluate our exposure to such risks on an ongoing basis and seek ways to manage these risks to an acceptable level, based on management's judgment of the appropriate trade-off between risk, opportunity and cost. We may use derivative financial instruments from time to time as a risk management tool and not for trading or speculative purposes.

Inflation; Seasonality

We are subject to price control restrictions on our pharmaceutical products in a number of countries in which we now operate. As a result, our ability to raise prices in a timely fashion in anticipation of inflation may be limited in some markets. Historically, revenues from our business tend to be weighted toward the second half of the year. For information relating to the seasonality of our business, see Item 1. "Business — Seasonality of Business".

Foreign Currency Risk

In 2025, a majority of our revenue and expense activities and capital expenditures were denominated in U.S. dollars. We have exposure to multiple foreign currencies, including, among others, the Euro, Chinese yuan, Polish zloty, Canadian dollar and Mexican peso. Our operations are subject to risks inherent in conducting business abroad, including price and currency exchange controls and fluctuations in the relative values of currencies. In addition, to the extent that we require, as a source of

debt repayment, earnings and cash flows from some of our operations located in foreign countries, we are subject to risk of changes in the value of the U.S. dollar, relative to all other currencies in which we operate, which may materially affect our results of operations. Where possible, we manage foreign currency risk by managing same currency revenues in relation to same currency expenses. Further strengthening of the U.S. dollar and/or further devaluation of foreign currencies will have a negative impact on our reported revenue and reported results. As of December 31, 2025, a 1% change in foreign currency exchange rates would have impacted our shareholders' deficit by approximately \$43 million.

As of December 31, 2025, the unrealized foreign exchange gain on the translation of the remaining principal amount of U.S. denominated credit facility, senior secured and unsecured notes was \$147 million, for Canadian income tax purposes. Additionally, as of December 31, 2025, the unrealized foreign exchange gain on certain intercompany balances was equal to \$554 million. One-half of any realized foreign exchange gain or loss will be included in our Canadian taxable income. Any resulting gain will result in a corresponding reduction in our available Canadian Losses, Scientific Research and Experimental Development Pool, and/or Investment Tax Credit carryforward balances. However, the repayment of the credit facility, senior notes and the intercompany loans denominated in U.S. dollars does not result in a foreign exchange gain or loss being recognized in our Consolidated Financial Statements, as these statements are prepared in U.S. dollars.

Interest Rate Risk

We currently do not hold financial instruments for speculative purposes. Our financial assets are not subject to significant interest rate risk due to their short duration. The primary objective of our policy for the investment of temporary cash surpluses is the protection of principal, and accordingly, we generally invest in high quality, money market investments and time deposits with varying maturities, but typically less than three months. As it is our intent and policy to hold these investments until maturity, we do not have a material exposure to interest rate risk.

As of December 31, 2025, we had \$13,553 million and \$6,679 million principal amount of issued fixed rate debt and variable rate debt, respectively. The estimated fair value of our issued fixed rate debt as of December 31, 2025 was \$12,984 million. If interest rates were to increase by 100 basis-points, the fair value of our issued fixed rate debt would decrease by approximately \$350 million. If interest rates were to decrease by 100 basis-points, the fair value of our issued fixed rate debt would increase by approximately \$347 million. We are subject to interest rate risk on our variable rate debt as changes in interest rates could adversely affect earnings and cash flows. A 100 basis-points increase in interest rates, would have an annualized pre-tax effect of approximately \$67 million in our Consolidated Statements of Operations and Consolidated Statements of 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.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates are those estimates that are most important and material to the preparation of our Consolidated Financial Statements, and which require management's most subjective and complex judgments due to the need to select policies from among alternatives available, and to make estimates about matters that are inherently uncertain. We base our estimates on historical experience and other factors that we believe to be reasonable under the circumstances. On an ongoing basis, we review our estimates to ensure that these estimates appropriately reflect changes in our business and new information as it becomes available. If historical experience and other factors we use to make these estimates do not reasonably reflect future activity, our results of operations and financial condition could be materially impacted.

Revenue Recognition

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

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

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

Provisions for these deductions are recorded concurrently with the recognition of gross product sales revenue and include cash discounts and allowances, chargebacks, and distribution fees, which are paid to direct customers, as well as rebates and returns, which can be paid to direct and indirect customers.

The development and application of the critical accounting policies associated with the revenue recognition guidance, including the policies associated with each of our product sales provisions and the table showing the activity and ending balances for our product sales provisions, are discussed in more detail in Note 2, "SIGNIFICANT ACCOUNTING POLICIES" to our audited Consolidated Financial Statements.

Acquisition-Related Contingent Consideration

Some of the business combinations that we have consummated include contingent consideration to be potentially paid based upon the occurrence of future events, such as sales performance and the achievement of certain future development, regulatory and sales milestones. Acquisition-related contingent consideration associated with a business combination is initially recognized at fair value and remeasured each reporting period, with changes in fair value recorded in the Consolidated Statements of Operations. The estimates of fair value involve the use of acceptable valuation methods, such as probability-weighted discounted cash flow analysis and Monte Carlo Simulation (when appropriate), and contain uncertainties as they require assumptions about the likelihood of achieving specified milestone criteria, projections of future financial performance and assumed discount rates. Changes in the fair value of the acquisition-related contingent consideration result from several factors including changes in the timing and amount of revenue estimates, changes in probability assumptions with respect to the likelihood of achieving specified milestone criteria and changes in discount rates. A change in any of these assumptions could produce a different fair value, which could have a material impact on our results of operations. At December 31, 2025, the fair value measurements of acquisition-related contingent consideration were determined using risk-adjusted discount rates ranging from 6% to 16%.

Acquisitions

To determine if an acquisition should be accounted for as a business combination or an asset acquisition, the Company first determines whether the set of assets acquired and/or liabilities assumed constitutes a business. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar assets acquired are not a business. To be considered a business, the set of assets acquired and/or liabilities assumed must include the minimum inputs and substantive processes necessary to significantly contribute to the ability to produce outputs.

If the set of assets acquired and/or liabilities assumed are deemed to constitute a business, the Company accounts for the acquisition as a business combination. Under a business combination, the Company measures the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at their acquisition-date fair values.

- The fair value of the identifiable intangible assets is determined primarily using the "income approach," which primarily consists of the following estimates and inputs: (i) a forecast of the expected future cash flows, which includes an estimated amount and timing of projected cash flows (including revenue growth rates, cost of goods sold, and operating expenses) and (ii) the risk-adjusted discount rate used to present value the cash flows. The fair value of acquired IPR&D is also recognized at fair value using an income approach and consists of the following estimates and inputs: (i) each asset's probability-adjusted future cash flows, which reflect the different stages of development of each product and the associated probability of successful completion and (ii) the risk-adjusted discount rate used to present value the cash flows.
- Acquisition-related contingent consideration, which primarily consists of potential milestone payments, is determined in accordance with the acquisition method of accounting. The fair value of the acquisition-related contingent consideration is remeasured each reporting period, with changes in fair value recorded in the Consolidated Statements of Operations. The fair value measurement of contingent consideration obligations arising from business combinations is generally determined via a probability-weighted discounted cash flow analysis, using unobservable (Level 3) inputs. These inputs may include: (i) the estimated amount and timing of projected cash flows, (ii) the probability of the achievement of the factor(s) on which the contingency is based and (iii) the risk-adjusted discount rate used to present value the probability-weighted cash flows.

- Goodwill is recorded with the acquisition and is calculated as the difference between the acquisition date fair value of the consideration transferred and the values assigned to the assets acquired and liabilities assumed.

Transaction costs and costs to restructure the acquired company are expensed as incurred and the operating results of the acquired business are reflected in the Company's audited Consolidated Financial Statements from the date of acquisition.

If the set of assets acquired and/or liabilities assumed are deemed to not constitute a business, the transaction is accounted for as an asset acquisition. Under an asset acquisition, the cost accumulation model is used to recognize the assets acquired and liabilities assumed. In this model, the cost of acquisition, including certain transaction costs, is allocated to the assets acquired on the basis of relative fair values. Goodwill is not recognized in an asset acquisition. The amount allocated to acquired IPR&D with no alternative future use is charged to Other expense, net at the acquisition date. Additionally, any future contingent consideration is not recorded until it becomes probable and reasonably estimable.

Intangible Assets

We evaluate potential impairments of finite-lived intangible assets acquired through asset acquisitions or business combinations whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. Our evaluation is based on an assessment of potential indicators of impairment, such as:

- an adverse change in legal factors or in the business climate that could affect the value of an asset. For example, a successful challenge of our patent rights resulting in earlier than expected generic competition;
- an adverse change in the extent or manner in which an asset is used or is expected to be used. For example, a decision not to pursue a product line-extension strategy to enhance an existing product due to changes in market conditions and/or technological advances; or
- current or forecasted reductions in revenue, operating income, or cash flows associated with the use of an asset. For example, the introduction of a competing product that results in a significant loss of market share.

Impairment exists when the carrying value of the asset exceeds the related estimated undiscounted future cash flows expected to be derived from the asset, which include the amount and timing of the projected future cash flows. If impairment exists, the carrying value of the asset is adjusted to its fair value. A discounted cash flow analysis is typically used to determine an asset's fair value, using estimates and assumptions that market participants would apply. Some of the estimates and assumptions inherent in a discounted cash flow model include the amount and timing of the projected future cash flows, and the discount rate used to reflect the risks inherent in the future cash flows. A change in any of these estimates and assumptions could produce a different fair value, which could have a material impact on our results of operations. In addition, an intangible asset's expected useful life can increase estimation risk, as longer-lived assets necessarily require longer-term cash flow forecasts, which for some of our intangible assets can be up to approximately 20 years. In connection with an impairment evaluation, we also reassess the remaining useful life of the intangible asset and modify it, as appropriate.

Management continually assesses the useful lives of the Company's long-lived assets.

Indefinite-lived intangible assets, including Acquired IPR&D and the B&L corporate trademark, are tested for impairment annually, or more frequently if events or changes in circumstances between annual tests indicate that the asset may be impaired. Impairment losses on indefinite-lived intangible assets are recognized based solely on a comparison of their fair value to carrying value, without consideration of any recoverability test. In particular, we will continue to monitor closely the progression of our R&D programs as their likelihood of success is contingent upon the achievement of future milestones. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview — Focus on Value and Core Businesses" for additional information regarding our R&D programs.

Goodwill

Goodwill impairments were \$145 million during 2025 and related to our Generics reporting unit. There were no goodwill impairments during 2024. During 2023, we recorded goodwill impairment charges of \$493 million. As of December 31, 2025, we maintain 10 reporting units, nine of which comprise our goodwill balance.

We test our reporting units for impairment annually as of October 1, or more frequently if events or circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Such events and circumstances could include increased competition and unexpected loss of market share, increased input costs relative to our projections (for example due to regulatory or industry changes), disposals of significant products or components of our business, unexpected business disruptions (for example due to a natural disaster, pandemic, unexpected changes in the regulatory environment, unexpected loss of exclusivity to a significant product, loss of a supplier, or other significant business relationship), unexpected significant declines in operating results, significant adverse changes in the markets in which we

operate, or changes in management strategy. During our assessment, we consider each of the above potential events and circumstances, as well as the existence of any positive and/or mitigating events and circumstances, including the difference between a reporting unit's fair value and carrying amount if determined in a recent fair value calculation ("headroom"), giving more weight to those events and circumstances that impact most significantly a reporting unit's fair value or carrying amount.

We test reporting units for impairment by comparing the estimated fair value of each reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its estimated fair value, we record an impairment based on the difference between the fair value and carrying amount of the reporting units as a reduction to goodwill. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions, estimates, and market factors. Estimating the fair value of individual reporting units requires us to make assumptions and estimates regarding our business strategies, as well as industry, economic, and regulatory conditions. These assumptions and estimates include estimated future annual net cash flows, income tax considerations, discount rates, growth rates and other market factors.

2025 Annual Goodwill Impairment Test

Our annual goodwill impairment test as of October 1, 2025, included performing separate quantitative fair value tests for our Salix, Neuroscience and Generics segments. For our remaining reporting units, we conducted our annual goodwill impairment test as of October 1, 2025, by first assessing qualitative factors. Based on our qualitative assessment as of October 1, 2025, we believed that it was more likely than not that the carrying amounts of the remaining reporting units were less than their respective fair values and therefore concluded that a quantitative fair value test for those reporting units was not required.

2024 Annual Goodwill Impairment Test

Our annual goodwill impairment test as of October 1, 2024, included performing separate quantitative fair value tests for our Generics and Dermatology reporting units within the Diversified segment. For our remaining reporting units, we conducted our annual goodwill impairment test as of October 1, 2024, by first assessing qualitative factors. Based on our qualitative assessment as of October 1, 2024, we believed that it was more likely than not that the carrying amounts of the remaining reporting units were less than their respective fair values and therefore concluded that a quantitative fair value test for those reporting units was not required.

Dermatology

Through the nine months ended September 30, 2023, the Dermatology reporting unit performed largely in line with the forecast used in its last quantitative fair value test (September 30, 2022). 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, the Company's assessment of future business performance indicated that the reporting unit's future financial results were 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), 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, the Dermatology reporting unit was impaired. The quantitative assessment utilized a long-term growth rate of 0.0% and a discount rate of 10.75% in the estimation of the reporting unit's fair value. Based on the quantitative fair value testing, a goodwill impairment of \$151 million was recognized.

During 2024, we continued to monitor business performance of the Dermatology reporting unit. Given the market conditions that the reporting unit operates in and the impairment to this reporting unit as of September 30, 2023 left no headroom, the Company performed a separate quantitative fair value test as part of its annual goodwill impairment test as of October 1, 2024. The quantitative fair value test for the Dermatology reporting unit utilized the most recent cash flow projections for the reporting unit as revised in the fourth quarter of 2024 to reflect current market conditions and current trends in business performance. The quantitative assessment utilized a long-term growth rate of 0% and a discount rate of 9.50% in the estimation of the reporting unit's fair value. After completing the testing, the fair value of Dermatology reporting unit exceeded its carrying value by more than 50%, and, therefore, there was no impairment to goodwill.

Neuroscience

Through the nine months ended September 30, 2023, the Neuroscience reporting unit performed largely in line with the forecast used in its previous quantitative fair value test (October 1, 2022). During the third quarter of 2023, as a result of actions taken by management in response to changing market dynamics driven by recent legislation, changes to the future expected commercial insurance coverage for certain key products, and a projected shift in the channels of business, the Company's assessment of future business performance indicated that the reporting unit's future financial results were 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 Neuroscience reporting unit when previously tested (October 1, 2022), 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, the Neuroscience reporting unit was impaired. The quantitative assessment utilized a long-term growth rate of -2.5% and a discount rate of 10.50% in the estimation of the reporting unit's fair value. Based on the quantitative fair value testing, a goodwill impairment of \$251 million was recognized.

During 2024, no facts or circumstances were identified which would indicate that additional fair value quantitative testing was necessary.

During 2025, we continued to monitor the business performance of the Neuroscience reporting unit. Given the continuation of the market conditions and trends in business performance in 2025, a separate quantitative fair value test was performed as of October 1, 2025. The quantitative fair value test for the Neuroscience reporting unit utilized the most recent cash flow projections as revised in the fourth quarter of 2025 to reflect current market conditions and current trends in business performance. The quantitative assessment utilized a long-term growth rate of -2.50% and a discount rate of 9.75% in the estimation of the reporting unit's fair value. After completing the testing, the fair value of the Neuroscience reporting unit exceeded its carrying value by approximately 100%, and therefore, there was no impairment to goodwill. As of December 31, 2025, the Neuroscience reporting unit had remaining goodwill of \$1,170 million.

Generics

The Generics reporting unit operates in the United States, where shifting market dynamics have led to increased competition with respect to generic pharmaceuticals which impacts both pricing and potential market share.

The quantitative fair value test for the Generics reporting unit utilized the most recent cash flow projections for the reporting unit as revised in the fourth quarter of 2023 to reflect current market conditions and current trends in business performance. The quantitative assessment utilized a long-term growth rate of 1.0% and a discount rate of 10.25% in the estimation of the reporting unit's fair value. As a result of the revisions to its long-term expectations for these and other factors, and based on the quantitative fair value test, goodwill for the Generics reporting unit was impaired reflecting the Company's best estimate at that time of the outlook and risks of this business. The carrying value of the Generics reporting unit exceeded its fair value as of October 1, 2023, and the Company recognized a goodwill impairment of \$91 million. As of December 31, 2023, the Generics reporting unit had remaining goodwill of \$227 million.

During 2024, we continued to monitor the business performance of the Generics reporting unit. Given the continuation of the market conditions and trends in business performance in 2024 for this reporting unit, a separate quantitative fair value test was performed as of October 1, 2024. The quantitative fair value test for the Generics reporting unit utilized the most recent cash flow projections for the reporting unit as revised in the fourth quarter of 2024 to reflect current market conditions and current trends in business performance. The quantitative assessment utilized a long-term growth rate of 1.0% and a discount rate of 8.50% in the estimation of the reporting unit's fair value. After completing the testing, the fair value of Generics reporting unit exceeded its carrying value and therefore, there was no impairment to goodwill.

During 2025, we continued to monitor the business performance of the Generics reporting unit. Shifting market dynamics have led to increased competition within the generic pharmaceuticals market, affecting both pricing and potential market share. The Company expects these dynamics to intensify in the future and has therefore revised its long-term forecasts, including for the sale of Company branded products upon loss of exclusivity, to reflect these developments. A separate quantitative fair value test was performed for the Generics reporting unit which utilized the most recent cash flow projections as revised in the fourth quarter of 2025. The quantitative assessment utilized a discount rate of 8.75% in the estimation of the reporting unit's fair value. Based on the quantitative fair value test, the carrying value of the Generics reporting unit exceeded its fair value as of October 1, 2025, and the Company recognized a goodwill impairment of \$145 million. As of December 31, 2025, the Generics reporting unit had remaining goodwill of \$82 million.

International

The International reporting unit was last quantitative fair value tested as of October 1, 2023, utilizing the most recent cash flow projections for the reporting unit as revised in the fourth quarter of 2023 which reflected current market conditions and current trends in business performance. The quantitative assessment utilized a long-term growth rate of 3.0% and discount rate of 12.50%, in the estimation of the fair value of the reporting unit. After completing the testing, the fair value of the reporting unit exceeded its carrying value by more than 45%, and, therefore, there was no impairment to goodwill.

Salix

During 2025, we continued to monitor the business performance of the Salix reporting unit. Given the continuation of the market conditions and trends in business performance in 2025 for this reporting unit, a separate quantitative fair value test was performed.

The quantitative fair value test for the Salix reporting unit utilized the most recent cash flow projections for the reporting unit as revised in the fourth quarter of 2025 to reflect current market conditions and current trends in business performance. The quantitative assessment utilized a long-term growth rate of 2.50% and a discount rate of 9.75% in the estimation of the reporting unit's fair value. After completing the testing, the fair value of the Salix reporting unit exceeded its carrying value and therefore, there was no impairment to goodwill. As of December 31, 2025, the Salix reporting unit had remaining goodwill of \$3,159 million.

In January 2026, we received the results for the double-blind Phase 3 clinical trials for two global RED-C clinical programs evaluating our rifaximin soluble solid dispersion formulation, designed to prevent overt hepatic encephalopathy and related complications in patients with early-stage liver cirrhosis. While safe and well-tolerated, both clinical trials failed to achieve their primary endpoints. The Company's forecasts as of October 1, 2025 used in the quantitative fair value testing discussed above, included probability weighted cash flows associated with the RED-C product. We performed a preliminary quantitative goodwill analysis as of January 22, 2026 for the Salix reporting unit using revised forecasts, an updated discount rate, and a new long-term growth rate that reflect the Phase 3 clinical trial results. We anticipate recognizing an impairment charge of approximately \$1,400 million for the Salix reporting unit in the first quarter of 2026.

Bausch + Lomb Reporting Units

The quantitative fair value test for the Vision Care, Surgical and Pharmaceuticals reporting units of the Bausch + Lomb segment as of October 1, 2023 utilized the most recent cash flow projections for each of the reporting units as revised in the fourth quarter of 2023 which reflected current market conditions and current trends in business performance. After completing the testing, the fair value of each of these reporting units had headroom in excess of 25% in 2023, and therefore, there was no impairment to goodwill.

Bausch + Lomb conducted its annual goodwill impairment test as of October 1, 2024, by first assessing qualitative factors. Based on its qualitative assessment as of October 1, 2024, management believed that, it was more likely than not that the carrying amounts of each of its reporting units were less than their respective fair values and therefore concluded that a quantitative fair value test was not required.

During the period from October 1, 2024 (the last time goodwill was tested for all Bausch + Lomb) through June 30, 2025, Bausch + Lomb identified a decline in its market capitalization. This decline was primarily in response to the overall volatility within the global equity markets. However, at June 30, 2025, after considering the length and lack of recovery from this market capitalization decline, in comparison to the performance of the overall equity markets, Bausch + Lomb believed that the fair value of its reporting units could be less than their carrying amounts, and, therefore, a quantitative fair value test was performed.

The quantitative fair value tests utilized Bausch + Lomb's most recent cash flow projections which reflected current market conditions and current trends in business performance. The quantitative assessment utilized long-term growth rates of 3.0% and discount rates ranging from 10.00% to 11.50%, in estimation of the fair value of the reporting unit. After completing the testing, the fair value of each of Bausch + Lomb's reporting units exceeded its carrying value by more than 25%, and, therefore, there was no impairment to goodwill.

During the period October 1, 2025 through December 31, 2025, we continued to monitor the market conditions and trends in business performance for all our reporting units, including the Salix, Neuroscience, and Generics reporting units, as discussed above. We determined that, no events occurred, or circumstances changed that would indicate that the fair value of any reporting unit might be below its carrying value as of December 31, 2025.

Our reporting units that were impaired were written down to their respective fair values resulting in zero headroom as of the applicable impairment test dates. Accordingly, these assessments are reliant upon assumptions of future performance, discount rates and long-term growth rates, and changes in those assumptions could result in impairment, particularly for those reporting units that have limited or no headroom. Any such impairment could be material to our results of operations in the period in which it was to occur.

Market factors outside of our control, which could result in future impairment to goodwill and other assets, include but are not limited to: additional government-mandated pricing actions, higher than expected inflation, continued interest rate pressures, changes in medical reimbursements by third-party payors, additional unforeseen market entrants, unforeseen loss or exclusivity to significant products, changes in foreign currency exchange rates, unforeseen challenges to our patents including the ultimate outcome to the Xifaxan® Generics Litigation, geopolitical factors, changes in tax legislation and other significant adverse changes in the markets in which we operate. Additionally, factors such as our inability to successfully execute our business strategies, failure to attain our assumed growth rates and margins or should we decide to divest certain non-strategic assets could lead to the impairment of one or more of our reporting units in the future.

As outlined above, our quantitative fair value testing procedures performed as of October 1, 2025 represented in the aggregate, approximately \$4,556 million, or 40% of our \$11,271 million goodwill balance as of December 31, 2025. Our quantitative fair value testing procedures performed as of October 1, 2024 represented in the aggregate, approximately \$556 million, or 5% of our \$11,087 million goodwill balance as of December 31, 2024. Our quantitative fair value testing procedures performed during the three months ended September 30, 2023 and as of October 1, 2023 represented in the aggregate, approximately \$7,820 million, or 70% of our \$11,183 million goodwill balance as of December 31, 2023.

See Note 8, “INTANGIBLE ASSETS AND GOODWILL” to our audited Consolidated Financial Statements for further details on the goodwill impairments recognized in 2025, 2024 and 2023.

Contingencies

In the normal course of business, we are subject to loss contingencies, such as claims and assessments arising from litigation and other legal proceedings, contractual indemnities, product and environmental liabilities and tax matters. Other than loss contingencies that are assumed in business combinations for which we can reliably estimate the fair value, we are required to accrue for such loss contingencies if it is probable that the outcome will be unfavorable and if the amount of the loss can be reasonably estimated. We evaluate our exposure to loss based on the progress of each contingency, experience in similar contingencies and consultation with our legal counsel. We re-evaluate all contingencies as additional information becomes available. Given the uncertainties inherent in complex litigation and other contingencies, these evaluations can involve significant judgment about future events. The ultimate outcome of any litigation or other contingency may be material to our results of operations, financial condition and cash flows. See Note 21, “LEGAL PROCEEDINGS” to our audited Consolidated Financial Statements for further details regarding our current legal proceedings. If no accrual is made for a loss contingency because the amount of loss cannot be reasonably estimated, the Company will disclose contingent liabilities when there is at least a reasonable possibility that a loss or an additional loss may have been incurred.

Income Taxes

We have operations in various countries that have differing tax laws and rates. Our tax structure is supported by current domestic tax laws in the countries in which we operate and the application of tax treaties between the various countries in which we operate. Our income tax reporting is subject to audit by domestic and foreign tax authorities. Our effective tax rate may change from year to year based on changes in the mix of activities and income earned under our intercompany arrangements among the different jurisdictions in which we operate, changes in tax laws in these jurisdictions, changes in tax treaties between various countries in which we operate, changes in our eligibility for benefits under those tax treaties and changes in the estimated values of deferred tax assets and liabilities. Such changes could result in an increase in the effective tax rate on all or a portion of our income and/or any of our subsidiaries.

Our provision for income taxes is based on a number of estimates and assumptions made by management. Our consolidated income tax rate is affected by the amount of income earned in our various operating jurisdictions, the availability of benefits under tax treaties and the rates of taxes payable in respect of that income. We enter into many transactions and arrangements in the ordinary course of business in which the tax treatment is not entirely certain. We must therefore make estimates and judgments based on our knowledge and understanding of applicable tax laws and tax treaties, and the application of those tax laws and tax treaties to our business, in determining our consolidated tax provision. For example, certain countries could seek to tax a greater share of income than has been provided for by us. The final outcome of any audits by taxation authorities may differ from the estimates and assumptions we have used in determining our consolidated income tax provisions and accruals. This could result in a material effect on our consolidated income tax provision, results of operations and financial condition for the period in which such determinations are made.

Our income tax returns are subject to audit in various jurisdictions. Existing and future audits by, or other disputes with, tax authorities may not be resolved favorably for us and could have a material adverse effect on our reported effective tax rate and after-tax cash flows. We record liabilities for uncertain tax positions, which involve significant management judgment. New laws and new interpretations of laws and rulings by tax authorities may affect the liability for uncertain tax positions. Due to the subjectivity and complex nature of the underlying issues, actual payments or assessments may differ from our estimates. To the extent that our estimates differ from amounts eventually assessed and paid our income and cash flows may be materially and adversely affected.

We assess whether it is more likely than not that we will realize the tax benefits associated with our deferred tax assets and establish a valuation allowance for assets that are not expected to result in a realized tax benefit. A significant amount of judgment is used in this process, including preparation of forecasts of future taxable income and evaluation of tax planning initiatives. If we revise these forecasts or determine that certain planning events will not occur, an adjustment to the valuation allowance will be made to tax expense in the period such determination is made.

NEW ACCOUNTING STANDARDS

Information regarding the recently issued new accounting guidance (adopted and not adopted as of December 31, 2025) is contained in Note 2, "SIGNIFICANT ACCOUNTING POLICIES" to our audited Consolidated Financial Statements.